

[Discussion Draft - Unified ANS]
AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 4763
OFFERED BY M . _____

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “Financial Innovation and Technology for the 21st Cen-
4 tury Act”.

5 (b) **TABLE OF CONTENTS.**—The table of contents for
6 this Act is as follows:

Sec. 1. Short title; table of contents.

**TITLE I—DEFINITIONS; RULEMAKING; PROVISIONAL
REGISTRATION**

Sec. 101. Definitions under the Securities Act of 1933.

Sec. 102. Definitions under the Securities Exchange Act of 1934.

Sec. 103. Definitions under the Commodity Exchange Act.

Sec. 104. Definitions under this Act.

Sec. 105. Joint rulemakings.

Sec. 106. Notice of intent to register for digital commodity exchanges, brokers,
and dealers.

Sec. 107. Notice of intent to register for digital asset brokers, dealers, and
trading systems.

Sec. 108. Commodity Exchange Act savings provisions.

Sec. 109. International harmonization.

Sec. 110. Implementation.

TITLE II— OFFERS AND SALES OF DIGITAL ASSETS

Sec. 201. Exempted transactions in digital assets.

Sec. 202. Requirements for offers and sales of certain digital assets.

Sec. 203. Enhanced disclosure requirements.

Sec. 204. Certification of certain digital assets.

Sec. 205. Effective date.

TITLE III—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES
AT THE SECURITIES AND EXCHANGE COMMISSION

- Sec. 301. Treatment of digital commodities and other digital assets.
- Sec. 302. Anti-fraud authority over permitted payment stablecoins.
- Sec. 303. Registration of digital asset trading systems.
- Sec. 304. Requirements for digital asset trading systems.
- Sec. 305. Registration of digital asset brokers and digital asset dealers.
- Sec. 306. Requirements of digital asset brokers and digital asset dealers.
- Sec. 307. Rules related to conflicts of interest.
- Sec. 308. Treatment of certain digital assets in connection with federally regulated intermediaries.
- Sec. 309. Exclusion for ancillary activities.
- Sec. 310. Registration and requirements for notice-registered digital asset clearing agencies.
- Sec. 311. Treatment of custody activities by banking institutions.
- Sec. 312. Effective date; administration.

TITLE IV—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES
AT THE COMMODITY FUTURES TRADING COMMISSION

- Sec. 401. Commission jurisdiction over digital commodity transactions.
- Sec. 402. Requiring futures commission merchants to use qualified digital commodity custodians.
- Sec. 403. Trading certification and approval for digital commodities.
- Sec. 404. Registration of digital commodity exchanges.
- Sec. 405. Qualified digital commodity custodians.
- Sec. 406. Registration and regulation of digital commodity brokers and dealers.
- Sec. 407. Registration of associated persons.
- Sec. 408. Registration of commodity pool operators and commodity trading advisors.
- Sec. 409. Exclusion for ancillary activities.
- Sec. 410. Funding for implementation, administration, and enforcement.
- Sec. 411. Effective date.

TITLE V—INNOVATION AND TECHNOLOGY IMPROVEMENTS

- Sec. 501. Codification of the SEC Strategic Hub for Innovation and Financial Technology.
- Sec. 502. Codification of LabCFTC.
- Sec. 503. CFTC-SEC Joint Advisory Committee on Digital Assets.
- Sec. 504. Modernization of the Securities and Exchange Commission mission.
- Sec. 505. Study on decentralized finance.
- Sec. 506. Study on non-fungible digital assets.
- Sec. 507. Study on financial market infrastructure improvements.

1 **TITLE I—DEFINITIONS; RULE-**
2 **MAKING; PROVISIONAL REG-**
3 **ISTRATION**

4 **SEC. 101. DEFINITIONS UNDER THE SECURITIES ACT OF**
5 **1933.**

6 Section 2(a) of the Securities Act of 1933 (15 U.S.C.
7 77b(a)) is amended by adding at the end the following:

8 “(20) AFFILIATED PERSONS.—The term ‘affili-
9 ated person’ means a person (including a related
10 person) that—

11 “(A) with respect to a digital asset
12 issuer—

13 “(i) directly, or indirectly through one
14 or more intermediaries, controls, or is con-
15 trolled by, or is under common control
16 with, such digital asset issuer; and

17 “(ii) was described under clause (i) at
18 any point in the previous 3-month period;
19 or

20 “(B) with respect to any digital asset—

21 “(i) beneficially owns 5 percent or
22 more of the units of such digital asset that
23 are then outstanding; and

24 “(ii) was described under clause (i) at
25 any point in the previous 3-month period.

1 “(21) BLOCKCHAIN.—The term ‘blockchain’
2 means any technology—

3 “(A) where data is—

4 “(i) shared across a network to create
5 a public ledger of verified transactions or
6 information among network participants;

7 “(ii) linked using cryptography to
8 maintain the integrity of the public ledger
9 and to execute other functions; and

10 “(iii) distributed among network par-
11 ticipants in an automated fashion to con-
12 currently update network participants on
13 the state of the public ledger and any other
14 functions; and

15 “(B) composed of source code that is pub-
16 licly available.

17 “(22) BLOCKCHAIN PROTOCOL.—The term
18 ‘blockchain protocol’ means any executable software
19 deployed to a blockchain composed of source code
20 that is publicly available and accessible, including a
21 smart contract or any network of smart contracts.

22 “(23) BLOCKCHAIN SYSTEM.—The term
23 ‘blockchain system’ means any blockchain or
24 blockchain protocol.

1 “(24) DECENTRALIZED NETWORK.—With re-
2 spect to a blockchain system to which a digital asset
3 relates, the term ‘decentralized network’ means the
4 following conditions are met:

5 “(A) During the previous 12-month period,
6 no person—

7 “(i) had the unilateral authority, di-
8 rectly or indirectly, through any contract,
9 arrangement, understanding, relationship,
10 or otherwise, to control or materially alter
11 the functionality or operation of the
12 blockchain system; or

13 “(ii) had the unilateral authority to
14 restrict or prohibit any person who is not
15 a digital asset issuer, related person, or an
16 affiliated person from—

17 “(I) using, earning, or transmit-
18 ting the digital asset;

19 “(II) deploying software that
20 uses or integrates with the blockchain
21 system;

22 “(III) participating in a decen-
23 tralized governance system with re-
24 spect to the blockchain system; or

1 “(IV) operating a node, validator,
2 or other form of computational infra-
3 structure with respect to the
4 blockchain system.

5 “(B) During the previous 12-month pe-
6 riod—

7 “(i) no digital asset issuer or affiliated
8 person beneficially owned, in the aggre-
9 gate, 20 percent or more of the total
10 amount of units of such digital asset
11 that—

12 “(I) can be created, issued, or
13 distributed in such blockchain system;
14 and

15 “(II) were freely transferrable or
16 otherwise used or available to be used
17 for the purposes of such blockchain
18 system;

19 “(ii) no digital asset issuer or affili-
20 ated person had the unilateral authority to
21 direct the voting, in the aggregate, of 20
22 percent or more of the outstanding voting
23 power of such digital asset or related de-
24 centralized governance system; or

1 “(iii) the digital asset did not include
2 voting power with respect to any decentral-
3 ized governance system of the blockchain
4 system.

5 “(C) During the previous 3-month period,
6 the digital asset issuer, any affiliated person, or
7 any related person has not implemented or con-
8 tributed any intellectual property to the source
9 code of the blockchain system that materially
10 alters the functionality or operation of the
11 blockchain system, unless such implementation
12 or contribution to the source code—

13 “(i) addressed vulnerabilities, errors,
14 regular maintenance, cybersecurity risks,
15 or other technical changes to the
16 blockchain system; or

17 “(ii) were adopted through the con-
18 sensus or agreement of a decentralized
19 governance system.

20 “(D) During the previous 3-month period,
21 neither any digital asset issuer nor any affili-
22 ated person described under paragraph (20)(A)
23 has marketed to the public the digital assets as
24 an investment.

1 “(E) During the previous 12-month period,
2 all issuances of units of such digital asset
3 through the programmatic functioning of the
4 blockchain system were end user distributions.

5 “(25) DECENTRALIZED GOVERNANCE SYS-
6 TEM.—

7 “(A) IN GENERAL.—The term ‘decentral-
8 ized governance system’ means, with respect to
9 a blockchain system, any rules-based system
10 permitting persons using the blockchain system
11 or the digital assets related to such blockchain
12 system to form consensus or reach agreement
13 in the development, provision, publication, man-
14 agement, or administration of such blockchain
15 system.

16 “(B) RELATIONSHIP OF PERSONS TO DE-
17 CENTRALIZED GOVERNANCE SYSTEMS.—Per-
18 sons acting through a decentralized governance
19 system shall be treated as separate persons un-
20 less such persons are under common control.

21 “(C) EXCLUSION.—The term ‘decentral-
22 ized governance system’ does not include a sys-
23 tem in which—

1 “(i) a person or group of persons
2 under common control have the ability
3 to—

4 “(I) unilaterally alter the rules of
5 consensus or agreement for the
6 blockchain system; or

7 “(II) determine the final outcome
8 of decisions related to the develop-
9 ment, provision, publication, manage-
10 ment, or administration of such
11 blockchain system;

12 “(ii) a person or group of persons is
13 directly engaging in an activity that re-
14 quires registration with the Commission or
15 the Commodity Futures Trading Commis-
16 sion other than—

17 “(I) developing, providing, pub-
18 lishing, managing, or administering a
19 blockchain system; or

20 “(II) an activity with respect to
21 which the organization is exempt from
22 such registration; or

23 “(iii) a person or group of persons
24 seeking to knowingly evade the require-
25 ments imposed on a digital asset issuer, a

1 related person, an affiliated person, or any
2 other person registered (or required to be
3 registered) under the securities laws, the
4 Financial Innovation and Technology for
5 the 21st Century Act, or the Commodity
6 Exchange Act.

7 “(26) DIGITAL ASSET.—

8 “(A) IN GENERAL.—The term ‘digital
9 asset’ means any fungible digital representation
10 of value that can be exclusively possessed and
11 transferred, person to person, without necessary
12 reliance on an intermediary, and is recorded on
13 a cryptographically secured public distributed
14 ledger.

15 “(B) EXCLUSIONS.—The term ‘digital
16 asset’ does not include—

17 “(i) any note, stock, treasury stock,
18 security future, security-based swap, bond,
19 debenture, evidence of indebtedness, cer-
20 tificate of interest or participation in any
21 profit-sharing agreement, collateral-trust
22 certificate, preorganization certificate or
23 subscription, or transferable share; or

24 “(ii) any asset which, based on its
25 terms and other characteristics, is, rep-

1 resents, or is functionally equivalent to an
2 agreement, contract, or transaction that
3 is—

4 “(I) a contract of sale of a com-
5 modity (as defined under section 1a of
6 the Commodity Exchange Act) for fu-
7 ture delivery or an option thereon;

8 “(II) a security futures product;

9 “(III) a swap;

10 “(IV) an agreement, contract, or
11 transaction described in section
12 2(c)(2)(C)(i) or 2(c)(2)(D)(i) of the
13 Commodity Exchange Act;

14 “(V) a commodity option author-
15 ized under section 4e of the Com-
16 modity Exchange Act; or

17 “(VI) a leverage transaction au-
18 thorized under section 19 of the Com-
19 modity Exchange Act.

20 “(C) RULE OF CONSTRUCTION.—Nothing
21 in this paragraph shall be construed to create
22 a presumption that a digital asset is a represen-
23 tation of any type of security excluded from the
24 definition of digital asset.

1 “(D) RELATIONSHIP TO A BLOCKCHAIN
2 SYSTEM.—A digital asset is considered to relate
3 to a blockchain system if the digital asset is in-
4 trinsically linked to the blockchain system, in-
5 cluding—

6 “(i) where the digital asset’s value is
7 reasonably expected to be generated by the
8 programmatic functioning of the
9 blockchain system;

10 “(ii) where the asset has voting rights
11 with respect to the decentralized govern-
12 ance system of the blockchain system; or

13 “(iii) where the digital asset is issued
14 through the programmatic functioning of
15 the blockchain system.

16 “(E) TREATMENT OF CERTAIN DIGITAL
17 ASSETS SOLD PURSUANT TO AN INVESTMENT
18 CONTRACT.—A digital asset offered or sold or
19 intended to be offered or sold pursuant to an
20 investment contract is not and does not become
21 a security as a result of being sold or otherwise
22 transferred pursuant to that investment con-
23 tract.

24 “(27) DIGITAL ASSET ISSUER.—

1 “(A) IN GENERAL.—With respect to a dig-
2 ital asset, the term ‘digital asset issuer’ means
3 any person that, in exchange for any consider-
4 ation—

5 “(i) issues or causes to be issued a
6 unit of such digital asset to a person; or

7 “(ii) offers or sells a right to a future
8 issuance of a unit of such digital asset to
9 a person.

10 “(B) EXCLUSION.—The term ‘digital asset
11 issuer’ does not include any person solely be-
12 cause such person deploys source code that cre-
13 ates or issues units of a digital asset that are
14 only distributed in end user distributions.

15 “(C) PROHIBITION ON EVASION.—It shall
16 be unlawful for any person to knowingly evade
17 classification as a ‘digital asset issuer’ and fa-
18 cilitate an arrangement for the primary purpose
19 of effecting a sale, distribution, or other
20 issuance of a digital asset.

21 “(28) DIGITAL ASSET MATURITY DATE.—The
22 term ‘digital asset maturity date’ means, with re-
23 spect to any digital asset, the first date on which 20
24 percent or more of the total units of such digital

1 asset that are then outstanding as of such date
2 are—

3 “(A) digital commodities; or

4 “(B) digital assets that have been reg-
5 istered with the Commission.

6 “(29) DIGITAL COMMODITY.—The term ‘digital
7 commodity’ has the meaning given that term under
8 section 1a of the Commodity Exchange Act (7
9 U.S.C. 1a).

10 “(30) END USER DISTRIBUTION.—

11 “(A) IN GENERAL.—The term ‘end user
12 distribution’ means an issuance of a unit of a
13 digital asset that—

14 “(i) does not involve an exchange of
15 more than a nominal value of cash, prop-
16 erty, or other assets; and

17 “(ii) is distributed in a broad, equi-
18 table, and non-discretionary manner based
19 on conditions capable of being satisfied by
20 any participant in the blockchain system,
21 including, as incentive-based rewards—

22 “(I) to users of the digital asset
23 or any blockchain system to which the
24 digital asset relates;

1 “(II) for activities directly related
2 to the operation of the blockchain sys-
3 tem, such as mining, validating, stak-
4 ing, or other activity directly tied to
5 the operation of the blockchain sys-
6 tem; or

7 “(III) to the existing holders of
8 another digital asset, in proportion to
9 the total units of such other digital
10 asset as are held by each person.

11 “(B) PROHIBITION ON EVASION.—It shall
12 be unlawful for any person to facilitate an end
13 user distribution to knowingly evade classifica-
14 tion as a digital asset issuer, related person, or
15 an affiliated person, or the requirements related
16 to a digital asset issuance.

17 “(31) FUNCTIONAL NETWORK.—With respect
18 to a blockchain system to which a digital asset re-
19 lates, the term ‘functional network’ means the net-
20 work allows network participants to use such digital
21 asset for—

22 “(A) the transmission and storage of value
23 on the blockchain system;

1 “(B) the participation in services provided
2 by or an application running on the blockchain
3 system; or

4 “(C) the participation in the decentralized
5 governance system of the blockchain system.

6 “(32) PERMITTED PAYMENT STABLECOIN.—

7 The term ‘permitted payment stablecoin’—

8 “(A) means a digital asset—

9 “(i) that is or is designed to be used
10 as a means of payment or settlement;

11 “(ii) the issuer of which—

12 “(I) is obligated to convert, re-
13 deem, or repurchase for a fixed
14 amount of monetary value; or

15 “(II) represents will maintain or
16 creates the reasonable expectation
17 that it will maintain a stable value rel-
18 ative to the value of a fixed amount of
19 monetary value; and

20 “(iii) that is subject to regulation by
21 a Federal or State regulator with authority
22 over entities that issue payment
23 stablecoins; and

24 “(B) that is not—

25 “(i) a national currency; or

1 “(ii) a security issued by an invest-
2 ment company registered under section
3 8(a) of the Investment Company Act of
4 1940 (15 U.S.C. 80a–8(a)).

5 “(33) RELATED PERSON.—With respect to a
6 digital asset issuer, the term ‘related person’
7 means—

8 “(A) a founder, promoter, employee, con-
9 sultant, advisor, or person serving in a similar
10 capacity;

11 “(B) any person that is or was in the pre-
12 vious 6-month period an executive officer, direc-
13 tor, trustee, general partner, advisory board
14 member, or person serving in a similar capacity;

15 “(C) any equity holder or other security
16 holder; or

17 “(D) any other person that received a unit
18 of digital asset from such digital asset issuer
19 through—

20 “(i) an exempt offering, other than an
21 offering made in reliance on section
22 4(a)(8); or

23 “(ii) a distribution that is not an end
24 user distribution described under section

1 42(d)(1) of the Securities Exchange Act of
2 1934.

3 “(34) RESTRICTED DIGITAL ASSET.—

4 “(A) IN GENERAL.—The term ‘restricted
5 digital asset’ means—

6 “(i) any unit of a digital asset held by
7 a person, other than the digital asset
8 issuer, a related person, or an affiliated
9 person, prior to the first date on which
10 each blockchain system to which the digital
11 asset relates is a functional network and
12 certified to be a decentralized network
13 under section 44 of the Securities Ex-
14 change Act of 1934, that was—

15 “(I) issued to such person
16 through a distribution, other than an
17 end user distribution described under
18 section 42(d)(1) of the Securities Ex-
19 change Act of 1934;or

20 “(II) acquired by such person in
21 a transaction that was not executed
22 on a digital commodity exchange;

23 “(ii) any digital asset held by a re-
24 lated person or an affiliated person during
25 any period when any blockchain system to

1 which the digital asset relates is not a
2 functional network or not certified to be a
3 decentralized network under section 44 of
4 the Securities Exchange Act of 1934; or

5 “(iii) any unit of a digital asset held
6 by the digital asset issuer.

7 “(B) EXCLUSION.—The term ‘restricted
8 digital asset’ does not include a permitted pay-
9 ment stablecoin.

10 “(35) SECURITIES LAWS.—The term ‘securities
11 laws’ has the meaning given that term under section
12 3(a) of the Securities Exchange Act of 1934 (15
13 U.S.C. 78c(a)).

14 “(36) SOURCE CODE.—With respect to a
15 blockchain system, the term ‘source code’ means a
16 listing of commands to be compiled or assembled
17 into an executable computer program.”.

18 **SEC. 102. DEFINITIONS UNDER THE SECURITIES EX-**
19 **CHANGE ACT OF 1934.**

20 Section 3(a) of the Securities Exchange Act of 1934
21 (15 U.S.C. 78c(a)) is amended—

22 (8) by redesignating the second paragraph (80)
23 (relating to funding portals) as paragraph (81); and
24 (9) by adding at the end the following:

1 “(82) BANK SECRECY ACT.—The term ‘Bank
2 Secrecy Act’ means—

3 “(A) section 21 of the Federal Deposit In-
4 surance Act (12 U.S.C. 1829b);

5 “(B) chapter 2 of title I of Public Law 91–
6 508 (12 U.S.C. 1951 et seq.); and

7 “(C) subchapter II of chapter 53 of title
8 31, United States Code.

9 “(83) DIGITAL ASSET BROKER.—The term ‘dig-
10 ital asset broker’—

11 “(A) means any person engaged in the
12 business of effecting transactions in restricted
13 digital assets for the account of others; and

14 “(B) does not include a blockchain protocol
15 or a person or group of persons solely because
16 of their development of a blockchain protocol.

17 “(84) DIGITAL ASSET CUSTODIAN.—The term
18 ‘digital asset custodian’ means an entity in the busi-
19 ness of providing custodial or safekeeping services
20 for restricted digital assets.

21 “(85) DIGITAL ASSET DEALER.—The term ‘dig-
22 ital asset dealer’—

23 “(A) means any person engaged in the
24 business of buying and selling restricted digital

1 assets for such person's own account through a
2 broker or otherwise; and

3 “(B) does not include—

4 “(i) a person that buys or sells re-
5 stricted digital assets for such person's
6 own account, either individually or in a fi-
7 duciary capacity, but not as a part of a
8 regular business; or

9 “(ii) a blockchain protocol or a person
10 or group of persons solely because of their
11 development of a blockchain protocol.

12 “(86) DIGITAL ASSET TRADING SYSTEM.—The
13 term ‘digital asset trading system’—

14 “(A) means any organization, association,
15 person, or group of persons, whether incor-
16 porated or unincorporated, that constitutes,
17 maintains, or provides a market place or facili-
18 ties for bringing together purchasers and sellers
19 of restricted digital assets or for otherwise per-
20 forming with respect to digital assets the func-
21 tions commonly performed by a stock exchange
22 within the meaning of section 240.3b-16 of title
23 17, Code of Federal Regulations, as in effect on
24 the date of enactment of this paragraph; and

1 “(B) does not include a blockchain protocol
2 or a person or group of persons solely because
3 of their development of a blockchain protocol.

4 “(87) MIXED DIGITAL ASSET TRANSACTION.—
5 The term ‘mixed digital asset transaction’ means an
6 agreement, contract, or transaction involving a re-
7 stricted digital asset and a digital commodity.

8 “(88) NOTICE-REGISTERED DIGITAL ASSET
9 CLEARING AGENCY.—The term ‘notice-registered
10 digital asset clearing agency’ means a clearing agen-
11 cy that has registered with the Commission pursuant
12 to section 17A(b)(9).

13 “(89) ADDITIONAL DIGITAL ASSET-RELATED
14 TERMS.—

15 “(A) SECURITIES ACT OF 1933.—The
16 terms ‘affiliated person’, ‘blockchain system’,
17 ‘decentralized governance system’, ‘decentral-
18 ized network’, ‘digital asset’, ‘digital asset
19 issuer’, ‘digital asset maturity date’, ‘end user
20 distribution’, ‘functional network’, ‘mixed dig-
21 ital asset transaction’, ‘permitted payment
22 stablecoin’, ‘related person’, ‘restricted digital
23 asset’, and ‘source code’ have the meaning
24 given those terms, respectively, under section

1 2(a) of the Securities Act of 1933 (15 U.S.C.
2 77b(a)).

3 “(B) COMMODITY EXCHANGE ACT.—The
4 terms ‘digital commodity’, ‘digital commodity
5 broker’, ‘digital commodity dealer’, and ‘digital
6 commodity exchange’ have the meaning given
7 those terms, respectively, under section 1a of
8 the Commodity Exchange Act (7 U.S.C. 1a).”.

9 **SEC. 103. DEFINITIONS UNDER THE COMMODITY EX-**
10 **CHANGE ACT.**

11 Section 1a of the Commodity Exchange Act (7 U.S.C.
12 1a) is amended—

13 (1) in paragraph (10)(A)—

14 (A) by redesignating clauses (iii) and (iv)
15 as clauses (iv) and (v), respectively; and

16 (B) by inserting after clause (ii) the fol-
17 lowing:

18 “(iii) digital commodity;”;

19 (2) in paragraph (11)—

20 (A) in subparagraph (A)(i)—

21 (i) by redesignating subclauses (III)
22 and (IV) as subclauses (IV) and (V), re-
23 spectively; and

24 (ii) by inserting after subclause (II)
25 the following:

- 1 “(III) digital commodity;”; and
- 2 (B) by redesignating subparagraph (B) as
- 3 subparagraph (C) and inserting after subpara-
- 4 graph (A) the following:
- 5 “(B) EXCLUSION.—The term ‘commodity
- 6 pool operator’ does not include—
- 7 “(i) a decentralized governance sys-
- 8 tem; or
- 9 “(ii) ancillary activities, as defined in
- 10 section 4v.”;
- 11 (3) in paragraph (12)(A)(i)—
- 12 (A) in subclause (II), by adding at the end
- 13 a semicolon;
- 14 (B) by redesignating subclauses (III) and
- 15 (IV) as subclauses (IV) and (V), respectively;
- 16 and
- 17 (C) by inserting after subclause (II) the
- 18 following:
- 19 “(III) a digital commodity;”;
- 20 (4) in paragraph (40)—
- 21 (A) by striking “and” at the end of sub-
- 22 paragraph (E);
- 23 (B) by striking the period at the end of
- 24 subparagraph (F) and inserting “; and”; and
- 25 (C) by adding at the end the following:

1 “(G) a digital commodity exchange reg-
2 istered under section 5i.”; and

3 (5) by adding at the end the following:

4 “(52) ASSOCIATED PERSON OF A DIGITAL COM-
5 MODITY BROKER.—

6 “(A) IN GENERAL.—Except as provided in
7 subparagraph (B), the term ‘associated person
8 of a digital commodity broker’ means a person
9 who is associated with a digital commodity
10 broker as a partner, officer, employee, or agent
11 (or any person occupying a similar status or
12 performing similar functions) in any capacity
13 that involves—

14 “(i) the solicitation or acceptance of a
15 contract of sale of a digital commodity; or

16 “(ii) the supervision of any person en-
17 gaged in the solicitation or acceptance of a
18 contract of sale of a digital commodity.

19 “(B) EXCLUSION.—The term ‘associated
20 person of a digital commodity broker’ does not
21 include any person associated with a digital
22 commodity broker the functions of which are
23 solely clerical or ministerial.

24 “(53) ASSOCIATED PERSON OF A DIGITAL COM-
25 MODITY DEALER.—

1 “(A) IN GENERAL.—Except as provided in
2 subparagraph (B), the term ‘associated person
3 of a digital commodity dealer’ means a person
4 who is associated with a digital commodity deal-
5 er as a partner, officer, employee, or agent (or
6 any person occupying a similar status or per-
7 forming similar functions) in any capacity that
8 involves—

9 “(i) the solicitation or acceptance of a
10 contract of sale of a digital commodity; or

11 “(ii) the supervision of any person en-
12 gaged in the solicitation or acceptance of a
13 contract of sale of a digital commodity.

14 “(B) EXCLUSION.—The term ‘associated
15 person of a digital commodity dealer’ does not
16 include any person associated with a digital
17 commodity dealer the functions of which are
18 solely clerical or ministerial.

19 “(54) BANK SECRECY ACT.—The term ‘Bank
20 Secrecy Act’ means—

21 “(A) section 21 of the Federal Deposit In-
22 surance Act (12 U.S.C. 1829b);

23 “(B) chapter 2 of title I of Public Law 91–
24 508 (12 U.S.C. 1951 et seq.); and

1 “(C) subchapter II of chapter 53 of title
2 31, United States Code.

3 “(55) DIGITAL COMMODITY.—

4 “(A) IN GENERAL.—The term ‘digital com-
5 modity’ means—

6 “(i) any unit of a digital asset held by
7 a person, other than the digital asset
8 issuer, a related person, or an affiliated
9 person, before the first date on which each
10 blockchain system to which the digital
11 asset relates is a functional network and
12 certified to be a decentralized network
13 under section 44 of the Securities Ex-
14 change Act of 1934, that was—

15 “(I) issued to the person through
16 an end user distribution described
17 under section 42(d)(1) of the Securi-
18 ties Exchange Act of 1934; or

19 “(II) acquired by such person in
20 a transaction that was executed on a
21 digital commodity exchange; or

22 “(ii) any unit of a digital asset held
23 by a person, other than the digital asset
24 issuer, a related person, or an affiliated
25 person, after the first date on which each

1 blockchain system to which the digital
2 asset relates is a functional network and
3 certified to be a decentralized network
4 under section 44 of the Securities Ex-
5 change Act of 1934; and

6 “(iii) any unit of a digital asset held
7 by a related person or an affiliated person
8 during any period when any blockchain
9 system to which the digital asset relates is
10 a functional network and certified to be a
11 decentralized network under section 44 of
12 the Securities Exchange Act of 1934.

13 “(B) EXCLUSION.—The term ‘digital com-
14 modity’ does not include a permitted payment
15 stablecoin.

16 “(56) DIGITAL COMMODITY BROKER.—

17 “(A) IN GENERAL.—The term ‘digital com-
18 modity broker’ means any person who, in a dig-
19 ital commodity cash or spot market, is—

20 “(i) engaged in soliciting or accepting
21 orders for the purchase or sale of a unit of
22 a digital commodity from a person that is
23 not an eligible contract participant;

24 “(ii) engaged in soliciting or accepting
25 orders for the purchase or sale of a unit of

1 a digital commodity from a person on or
2 subject to the rules of a registered entity;
3 or

4 “(iii) registered with the Commission
5 as a digital commodity broker.

6 “(B) EXCEPTIONS.—The term ‘digital
7 commodity broker’ does not include a person
8 solely because the person—

9 “(i) enters into a digital commodity
10 transaction the primary purpose of which
11 is to make, send, receive, or facilitate pay-
12 ments, whether involving a payment service
13 provider or on a peer-to-peer basis; or

14 “(ii) validates a digital commodity
15 transaction, operates a node, or engages in
16 similar activity to participate in facili-
17 tating, operating, or securing a blockchain
18 system.

19 “(57) DIGITAL COMMODITY CUSTODIAN.—The
20 term ‘digital commodity custodian’ means an entity
21 in the business of holding, maintaining, or safe-
22 guarding digital commodities.

23 “(58) DIGITAL COMMODITY DEALER.—

24 “(A) IN GENERAL.—The term ‘digital com-
25 modity dealer’ means any person who—

1 “(i) in digital commodity cash or spot
2 markets—

3 “(I) holds itself out as a dealer in
4 a digital commodity;

5 “(II) makes a market in a digital
6 commodity;

7 “(III) regularly enters into dig-
8 ital commodity transactions with
9 counterparties as an ordinary course
10 of business for its own account; or

11 “(IV) engages in any activity
12 causing the person to be commonly
13 known in the trade as a dealer or
14 market maker in a digital commodity;

15 “(ii) regularly enters into any agree-
16 ment, contract, or transaction described in
17 subsection (c)(2)(D)(i) involving a digital
18 commodity; or

19 “(iii) is registered with the Commis-
20 sion as a digital commodity dealer.

21 “(B) EXCEPTION.—The term ‘digital com-
22 modity dealer’ does not include a person solely
23 because the person—

1 “(i) enters into a digital commodity
2 transaction with an eligible contract partic-
3 ipant;

4 “(ii) enters into a digital commodity
5 transaction on or through a registered dig-
6 ital commodity exchange;

7 “(iii) enters into a digital commodity
8 transaction for the person’s own account,
9 either individually or in a fiduciary capac-
10 ity, but not as a part of a regular business;

11 “(iv) enters into a digital commodity
12 transaction the primary purpose of which
13 is to make, send, receive, or facilitate pay-
14 ments, whether involving a payment service
15 provider or on a peer-to-peer basis; or

16 “(v) validates a digital commodity
17 transaction, operates a node, or engages in
18 similar activity to participate in facili-
19 tating, operating, or securing a blockchain
20 system.

21 “(59) DIGITAL COMMODITY EXCHANGE.—The
22 term ‘digital commodity exchange’ means a trading
23 facility that offers or seeks to offer a cash or spot
24 market in at least 1 digital commodity.

1 “(60) DIGITAL ASSET-RELATED DEFINI-
2 TIONS.—

3 “(A) SECURITIES ACT OF 1933.—The
4 terms ‘affiliated person’, ‘blockchain system’,
5 ‘decentralized governance system’ ‘decentralized
6 network’, ‘digital asset’, ‘digital asset issuer’,
7 ‘end user distribution’, ‘functional network’,
8 ‘permitted payment stablecoin’, ‘related person’,
9 and ‘restricted digital asset’ have the meaning
10 given the terms, respectively, under section 2(a)
11 of the Securities Act of 1933 (15 U.S.C.
12 77b(a)).

13 “(B) SECURITIES EXCHANGE ACT OF
14 1934.—The terms ‘digital asset broker’ and ‘dig-
15 ital asset dealer’ have the meaning given those
16 terms, respectively, under section 3(a) of the
17 Securities Exchange Act of 1934 (15 U.S.C.
18 78c(a)).

19 “(61) MIXED DIGITAL ASSET TRANSACTION.—
20 The term ‘mixed digital asset transaction’ has the
21 meaning given that term under section 3(a) of the
22 Securities Exchange Act of 1934 (15 U.S.C.
23 78c(a)).”.

24 **SEC. 104. DEFINITIONS UNDER THIS ACT.**

25 In this Act:

1 (1) DEFINITIONS UNDER THE COMMODITY EX-
2 CHANGE ACT.—The terms “digital commodity”,
3 “digital commodity broker”, “digital commodity
4 dealer”, and “digital commodity exchange” have the
5 meaning given those terms, respectively, under sec-
6 tion 1a of the Commodity Exchange Act (7 U.S.C.
7 1a).

8 (2) DEFINITIONS UNDER THE SECURITIES ACT
9 OF 1933.—The terms “affiliated person”,
10 “blockchain”, “blockchain system”, “blockchain pro-
11 tocol”, “decentralized network”, “digital asset”,
12 “digital asset issuer”, “digital asset maturity date”,
13 “digital asset trading system”, “end user distribu-
14 tion”, “functional network”, “permitted payment
15 stablecoin”, “restricted digital asset”, “securities
16 laws”, and “source code” have the meaning given
17 those terms, respectively, under section 2(a) of the
18 Securities Act of 1933 (15 U.S.C. 77b(a)).

19 (3) DEFINITIONS UNDER THE SECURITIES EX-
20 CHANGE ACT OF 1934.—The terms “Bank Secrecy
21 Act”, “digital asset broker”, “digital asset dealer”,
22 “digital asset trading system”, “mixed digital asset
23 transaction”, and “self-regulatory organization”
24 have the meaning given those terms, respectively,

1 under section 3(a) of the Securities Exchange Act of
2 1934 (15 U.S.C. 78c(a)).

3 **SEC. 105. JOINT RULEMAKINGS.**

4 (a) DEFINITIONS.—The Commodity Futures Trading
5 Commission and the Securities and Exchange Commission
6 shall, jointly, issue rules to further define the following
7 terms:

8 (1) The terms “affiliated person”,
9 “blockchain”, “blockchain system”, “blockchain pro-
10 tocol”, “decentralized network”, “decentralized gov-
11 ernance system”, “digital asset”, “digital asset
12 issuer”, “digital asset maturity date”, “end user dis-
13 tribution”, “functional network”, “related person”,
14 “restricted digital asset”, and “source code”, as de-
15 fined under section 2(a) of the Securities Act of
16 1933.

17 (2) The term “mixed digital asset transaction”,
18 as defined under section 3(a) of the Securities Ex-
19 change Act of 1934.

20 (3) The term “digital commodity”, as defined
21 under section 1a of the Commodity Exchange Act.

22 (b) JOINT RULEMAKING FOR EXCHANGES.—The
23 Commodity Futures Trading Commission and the Securi-
24 ties and Exchange Commission shall, jointly, issue rules
25 to exempt persons dually registered with the Commodity

1 Futures Trading Commission as a digital commodity ex-
2 change and with the Securities and Exchange Commission
3 as a digital asset trading system from duplicative, con-
4 flicting, or unduly burdensome provisions of this Act, the
5 securities laws, and the Commodity Exchange Act and the
6 rules thereunder, to the extent such exemption would fos-
7 ter the development of fair and orderly markets in digital
8 assets, be necessary or appropriate in the public interest,
9 and be consistent with the protection of investors.

10 (c) JOINT RULEMAKING FOR MIXED DIGITAL ASSET
11 TRANSACTIONS.—The Commodity Futures Trading Com-
12 mission and the Securities and Exchange Commission
13 shall, jointly, issue rules applicable to mixed digital asset
14 transactions under this Act and the amendments made by
15 this Act.

16 (d) PROTECTION OF SELF-CUSTODY.—

17 (1) IN GENERAL.—The Financial Crimes En-
18 forcement Network may not issue any rule or order
19 that would prohibit a U.S. individual from—

20 (A) maintaining a hardware wallet, soft-
21 ware wallet, or other means to facilitate such
22 individual’s own custody of digital assets; or

23 (B) conduct transactions and self-custody
24 digital assets for any lawful purpose.

1 (2) RULE OF CONSTRUCTION.—Paragraph (1)
2 may not be construed to limit the ability of Finan-
3 cial Crimes Enforcement Network to carry out any
4 enforcement authority.

5 **SEC. 106. NOTICE OF INTENT TO REGISTER FOR DIGITAL**
6 **COMMODITY EXCHANGES, BROKERS, AND**
7 **DEALERS.**

8 (a) IN GENERAL.—

9 (1) NOTICE OF INTENT TO REGISTER.—Any
10 person may file a notice of intent to register with
11 the Commodity Futures Trading Commission (in
12 this subsection referred to as the “Commission”) as
13 a—

14 (A) digital commodity exchange, for a per-
15 son intending to register as a digital commodity
16 exchange under section 5i of the Commodity
17 Exchange Act;

18 (B) digital commodity broker, for a person
19 intending to register as a digital commodity
20 broker under section 4u of such Act; or

21 (C) digital commodity dealer, for a person
22 intending to register as a digital commodity
23 dealer under section 4u of such Act.

24 (2) FILING.—A person desiring to file a notice
25 of intent to register under paragraph (1) shall be in

1 compliance with this section if the person submits to
2 the Commission—

3 (A) a statement of the nature of the reg-
4 istrations the filer intends to pursue;

5 (B) the information required by sub-
6 sections (b) and (c).

7 (b) DISCLOSURE OF GENERAL INFORMATION.—A
8 person filing a notice of intent to register under subsection
9 (a) shall disclose to the Commission the following:

10 (1) Information concerning the management of
11 the person, including information describing—

12 (A) the ownership and management of the
13 person;

14 (B) the financial condition of the person;

15 (C) affiliated entities; and

16 (D) potential conflicts of interest.

17 (2) Information concerning the operations of
18 the person, including—

19 (A) any rulebook or other customer order
20 fulfilment rules;

21 (B) risk management procedures; and

22 (C) a description of the product listing
23 process.

24 (c) LISTING INFORMATION.—A person filing a notice
25 of intent to register under subsection (a) shall provide to

1 the Commission and the Securities and Exchange Com-
2 mission a detailed description of the product listing deter-
3 mination made by the person for each asset listed or of-
4 fered for trading by the person.

5 (d) REQUIREMENTS.—A person filing a notice of in-
6 tent to register under subsection (a) shall comply with the
7 following requirements:

8 (1) BOOKS AND RECORDS.—The person shall
9 keep their books and records open to inspection and
10 examination by the Commission.

11 (2) CUSTOMER DISCLOSURES.—The person
12 shall disclose to customers—

13 (A) information about the material risks
14 and characteristics of the assets listed for trad-
15 ing on the person; and

16 (B) information about the material risks
17 and characteristics of the transactions facili-
18 tated by the person.

19 (3) CUSTOMER ASSETS.—

20 (A) IN GENERAL.—The person shall—

21 (i) hold customer money, assets, and
22 property in a manner to minimize the risk
23 of loss to the customer or unreasonable
24 delay in customer access to money, assets,
25 and property of the customer;

1 (ii) treat and deal with all money, as-
2 sets, and property, including any rights as-
3 sociated with any such money, assets, or
4 property, of any customer received as be-
5 longing to the customer;

6 (iii) calculate the total digital asset
7 obligations of the person, and at all times
8 hold money, assets, or property equal to or
9 in excess of the total digital asset obliga-
10 tions; and

11 (iv) not commingle such money, assets
12 and property held to meet the total com-
13 modity obligation with the funds of the
14 person or use the money, assets, or prop-
15 erty to margin, secure, or guarantee any
16 trade or contract, or to secure or extend
17 the credit, of any customer or person other
18 than the one for whom the same are held,
19 except that—

20 (I) the money, assets, and prop-
21 erty of any customer may be commin-
22 gled with that of any other customer,
23 if separately accounted for; and

24 (II) the share of the money, as-
25 sets, and property, as in the normal

1 course of business are necessary to
2 margin, guarantee, secure, transfer,
3 adjust, or settle a contract of sale of
4 a commodity asset, may be withdrawn
5 and applied to do so, including the
6 payment of commissions, brokerage,
7 interest, taxes, storage, and other
8 charges lawfully accruing in connec-
9 tion with the contract of sale of a dig-
10 ital commodity.

11 (B) ADDITIONAL RESOURCES.—

12 (i) IN GENERAL.—This section shall
13 not prevent or be construed to prevent the
14 person from adding to the customer
15 money, assets, and property required to be
16 segregated under subparagraph (A), addi-
17 tional amounts of money, assets, or prop-
18 erty from the account of the person as the
19 person determines necessary to hold
20 money, assets, or property equal to or in
21 excess of the total digital asset obligations
22 of the person.

23 (ii) TREATMENT AS CUSTOMER
24 FUNDS.—Any money, assets, or property
25 deposited pursuant to clause (i) shall be

1 considered customer property within the
2 meaning of this subsection.

3 (e) COMPLIANCE.—

4 (1) IN GENERAL.—A person who has filed a no-
5 tice of intent to register under this section and is in
6 compliance with this section shall be exempt from
7 Securities and Exchange Commission rules and reg-
8 ulations pertaining to registering as a national secu-
9 rities exchange, broker, dealer, or clearing agency,
10 for activities related to a digital asset deemed a se-
11 curity.

12 (2) NONCOMPLIANCE.—Paragraph (1) shall not
13 apply if, after notice from the Commission and a
14 reasonable opportunity to correct the deficiency, a
15 person who has submitted a notice of intent to reg-
16 ister is not in compliance with this section.

17 (3) ANTI-FRAUD AND ANTI-MANIPULATION.—
18 Paragraph (1) shall not be construed to limit any
19 anti-fraud, anti-manipulation, or false reporting en-
20 forcement authority of the Commission or the Secu-
21 rities and Exchange Commission.

22 (4) DELISTING.—Paragraph (1) shall not be
23 construed to limit the authority of the Commission
24 and the Securities and Exchange Commission to
25 jointly require a person to delist an asset for trading

1 if the Commission and the Securities and Exchange
2 Commission determines that the listing is incon-
3 sistent with the Commodity Exchange Act, the secu-
4 rities laws (including regulations under those laws),
5 or this Act.

6 (f) FINAL REGISTRATION.—

7 (1) IN GENERAL.—A person may not file a no-
8 tice of intent to register with the Commission after
9 the Commission has finalized its rules for the reg-
10 istration of digital commodity exchanges, digital
11 commodity brokers, or digital commodity dealers, as
12 appropriate.

13 (2) TRANSITION TO FINAL REGISTRATION.—
14 Subsection (e)(1) shall not apply to a person who
15 has submitted a notice of intent to register if—

16 (A) the Commission—

17 (i) determines that the person has
18 failed to comply with the requirements of
19 this section; or

20 (ii) denies the application of the per-
21 son to register; or

22 (B) the digital commodity exchange, digital
23 commodity broker, or digital commodity dealer
24 that filed a notice of intent to register failed to
25 apply for registration as such with the Commis-

1 sion within 180 days after the effective date of
2 the final rules of the Commission for the reg-
3 istration of digital commodity exchanges, digital
4 commodity brokers, or digital commodity deal-
5 ers, as appropriate.

6 (g) LIABILITY OF THE FILER.—It shall be unlawful
7 for any person to provide false information in support of
8 a filing under this section if the person knew or reasonably
9 should have known that the information was false.

10 **SEC. 107. NOTICE OF INTENT TO REGISTER FOR DIGITAL**
11 **ASSET BROKERS, DEALERS, AND TRADING**
12 **SYSTEMS.**

13 (a) IN GENERAL.—

14 (1) NOTICE OF INTENT TO REGISTER.—Any
15 person may file a notice of intent to register with
16 the Securities and Exchange Commission (in this
17 subsection referred to as the “Commission”) as—

18 (A) a digital asset trading system, for a
19 person intending to register as a digital asset
20 trading system under section 6(m) of the Secu-
21 rities Exchange Act of 1934;

22 (B) a digital asset broker, for a person in-
23 tending to register as a digital asset broker
24 under section 15H of the Securities Exchange
25 Act of 1934; or

1 (C) a digital asset dealer, for a person in-
2 tending to register as a digital asset dealer
3 under section 15H of the Securities Exchange
4 Act of 1934.

5 (2) FILING.—A person desiring to file a notice
6 of intent to register under paragraph (1) shall be in
7 compliance with this section if the person submits to
8 the Commission—

9 (A) a statement of the nature of the reg-
10 istrations the filer intends to pursue;

11 (B) the information required by sub-
12 sections (b) and (c).

13 (b) DISCLOSURE OF GENERAL INFORMATION.—A
14 person filing a notice of intent to register under subsection
15 (a) shall disclose to the Commission the following:

16 (1) Information concerning the management of
17 the person, including information describing—

18 (A) the ownership and management of the
19 person;

20 (B) the financial condition of the person;

21 (C) affiliated entities; and

22 (D) potential conflicts of interest.

23 (2) Information concerning the operations of
24 the person, including—

1 (A) any rulebook or other customer order
2 fulfilment rules;

3 (B) risk management procedures; and

4 (C) a description of the product listing
5 process.

6 (c) LISTING INFORMATION.—A person filing a notice
7 of intent to register under subsection (a) shall provide to
8 the Commission and the Commodity Futures Trading
9 Commission a detailed description of the product listing
10 determination made by the person for each asset listed or
11 offered for trading by the person.

12 (d) REQUIREMENTS.—A person filing a notice of in-
13 tent to register under subsection (a) shall comply with the
14 following requirements:

15 (1) NATIONAL SECURITIES ASSOCIATION.—The
16 person shall be a member of a national securities as-
17 sociation registered under section 15A of the Securi-
18 ties Exchange Act of 1934 (15 U.S.C. 78o–3), and
19 shall comply with the rules of the association, includ-
20 ing the rules of the association pertaining to cus-
21 tomer disclosures and protection of customer assets.

22 (2) BOOKS AND RECORDS.—The person shall
23 keep their books and records open to inspection and
24 examination by the Commission.

1 (3) CUSTOMER DISCLOSURES.—The person
2 shall disclose to customers—

3 (A) information about the material risks
4 and characteristics of the assets listed for trad-
5 ing on the person;

6 (B) information about the material risks
7 and characteristics of the transactions facili-
8 tated by the person; and

9 (C) in their disclosure documents, offering
10 documents, and promotional material, in a
11 prominent manner, that they are not registered
12 with or regulated by the Commission.

13 (4) CUSTOMER ASSETS.—

14 (A) IN GENERAL.—The person shall—

15 (i) hold customer money, assets, and
16 property in a manner to minimize the risk
17 of loss to the customer or unreasonable
18 delay in customer access to money, assets,
19 and property of the customer;

20 (ii) treat and deal with all money, as-
21 sets, and property, including any rights as-
22 sociated with any such money, assets, or
23 property, of any customer received as be-
24 longing to the customer;

1 (iii) segregate all money, assets, and
2 property received from any customer of the
3 person from the funds of the person, ex-
4 cept that—

5 (I) the money, assets, and prop-
6 erty of any customer may be commin-
7 gled with that of any other customer,
8 if separately accounted for; and

9 (II) the share of the money, as-
10 sets, and property, as in the normal
11 course of business are necessary to
12 margin, guarantee, secure, transfer,
13 adjust, or settle a contract of sale of
14 a digital asset, may be withdrawn and
15 applied to do so, including the pay-
16 ment of commissions, brokerage, in-
17 terest, taxes, storage, and other
18 charges lawfully accruing in connec-
19 tion with the contract of sale of a dig-
20 ital asset.

21 (B) ADDITIONAL RESOURCES.—

22 (i) IN GENERAL.—This section shall
23 not prevent or be construed to prevent the
24 person from adding to the customer
25 money, assets, and property required to be

1 segregated under subparagraph (A) addi-
2 tional amounts of money, assets, or prop-
3 erty from the account of the person as the
4 person determines necessary to hold
5 money, assets, or property equal to or in
6 excess of the total digital asset obligation
7 of the person.

8 (ii) TREATMENT AS CUSTOMER
9 FUNDS.—Any money, assets, or property
10 deposited pursuant to clause (i) shall be
11 considered customer property within the
12 meaning of this subsection.

13 (e) COMPLIANCE.—

14 (1) IN GENERAL.—A person who has filed a no-
15 tice of intent to register under this section and is in
16 compliance with this section shall be exempt from
17 Commission rules and regulations pertaining to reg-
18 istering as a national securities exchange, broker,
19 dealer, or clearing agency, for activities related to a
20 digital asset deemed a security.

21 (2) NONCOMPLIANCE.—Paragraph (1) shall not
22 apply if, after notice from the Commission and a
23 reasonable opportunity to correct the deficiency, a
24 person who has submitted a notice of intent to reg-
25 ister is not in compliance with this section.

1 (3) ANTI-FRAUD AND ANTI-MANIPULATION.—
2 Paragraph (1) shall not be construed to limit any
3 fraud, anti-manipulation, or false reporting enforce-
4 ment authority of the Commission or the Commodity
5 Futures Trading Commission.

6 (4) DELISTING.—Paragraph (1) shall not be
7 construed to limit the authority of the Commission
8 and the Commodity Futures Trading Commission to
9 jointly require a person to delist an asset for trading
10 if the Commission and the Commodity Futures
11 Trading Commission determines that the listing is
12 inconsistent with the Commodity Exchange Act, the
13 securities laws (including regulations under those
14 laws), or this Act.

15 (f) FINAL REGISTRATION.—

16 (1) IN GENERAL.—A person may not file a no-
17 tice of intent to register with the Commission after
18 the Commission has finalized its rules for the reg-
19 istration of digital asset brokers, digital asset deal-
20 ers, digital asset trading systems, and notice-reg-
21 istered clearing agencies, as appropriate.

22 (2) TRANSITION TO FINAL REGISTRATION.—
23 Subsection (e)(1) shall not apply to a person who
24 has submitted a notice of intent to register if—

25 (A) the Commission—

1 (i) determines that the person has
2 failed to comply with the requirements of
3 this section; or

4 (ii) denies the application of the per-
5 son to register; or

6 (B) the digital asset broker, digital asset
7 dealer, or digital asset trading system that filed
8 a notice of intent to register failed to apply for
9 registration as such with the Commission within
10 180 days after the effective date of the Com-
11 mission's final rules for the registration of dig-
12 ital asset brokers, digital asset dealers, and dig-
13 ital asset trading systems, as appropriate.

14 (g) LIABILITY OF THE FILER.—It shall be unlawful
15 for any person to provide false information in support of
16 a filing under this section if the person knew or reasonably
17 should have known that the information was false.

18 (h) NATIONAL SECURITIES ASSOCIATION.—A na-
19 tional securities association shall adopt rules for member-
20 ship with such association for persons required to be mem-
21 bers of such association under subsection (d)(1) within
22 180 days after the date of enactment of this Act.

1 **SEC. 108. COMMODITY EXCHANGE ACT SAVINGS PROVI-**
2 **SIONS.**

3 (a) IN GENERAL.—Nothing in this Act shall affect
4 or apply to, or be interpreted to affect or apply to—

5 (1) any agreement, contract, or transaction that
6 is subject to the Commodity Exchange Act as—

7 (A) a contract of sale of a commodity for
8 future delivery or an option on such a contract;

9 (B) a swap;

10 (C) a security futures product;

11 (D) an option authorized under section 4c
12 of such Act;

13 (E) an agreement, contract, or transaction
14 described in section 2(c)(2)(C)(i) of such Act;

15 or

16 (F) a leverage transaction authorized
17 under section 19 of such Act; or

18 (2) the activities of any person with respect to
19 any such agreement, contract, or transaction.

20 (b) PROHIBITIONS ON SPOT DIGITAL COMMODITY
21 ENTITIES.—Nothing in this Act authorizes, or shall be in-
22 terpreted to authorize, a digital commodity exchange, dig-
23 ital commodity broker, or digital commodity dealer to en-
24 gage in any activities involving any transaction, contract,
25 or agreement described in subsection (a)(1), solely by vir-
26 tue of being registered or filing notice of intent to register

1 as a digital commodity exchange, digital commodity
2 broker, or digital commodity dealer.

3 (c) DEFINITIONS.—In this section, each term shall
4 have the meaning provided in the Commodity Exchange
5 Act or the regulations prescribed under such Act.

6 **SEC. 109. INTERNATIONAL HARMONIZATION.**

7 In order to promote effective and consistent global
8 regulation of digital assets, the Commodity Futures Trad-
9 ing Commission and the Securities and Exchange Com-
10 mission, as appropriate—

11 (1) shall consult and coordinate with foreign
12 regulatory authorities on the establishment of con-
13 sistent international standards with respect to the
14 regulation of digital assets, restricted digital assets,
15 and digital commodities; and

16 (2) may agree to such information-sharing ar-
17 rangements as may be deemed to be necessary or
18 appropriate in the public interest or for the protec-
19 tion of investors, customers, and users of digital as-
20 sets.

21 **SEC. 110. IMPLEMENTATION.**

22 (a) GLOBAL RULEMAKING TIMEFRAME.—Unless oth-
23 erwise provided in this Act or an amendment made by this
24 Act, the Commodity Futures Trading Commission and the
25 Securities and Exchange Commission, or both, shall indi-

1 vidually, and jointly where required, promulgate rules and
2 regulations required of each Commission under this Act
3 or an amendment made by this Act not later than 360
4 days after the date of enactment of this Act.

5 (b) RULES AND REGISTRATION BEFORE FINAL EF-
6 FECTIVE DATES.—

7 (1) IN GENERAL.—In order to prepare for the
8 implementation of this Act, the Commodity Futures
9 Trading Commission and the Securities and Ex-
10 change Commission may, before any effective date
11 provided in this Act—

12 (A) promulgate rules, regulations, or or-
13 ders permitted or required by this Act;

14 (B) conduct studies and prepare reports
15 and recommendations required by this Act;

16 (C) register persons under this Act; and

17 (D) exempt persons, agreements, contracts,
18 or transactions from provisions of this Act,
19 under the terms contained in this Act.

20 (2) LIMITATION ON EFFECTIVENESS.—An ac-
21 tion by the Commodity Futures Trading Commission
22 or the Securities and Exchange Commission under
23 paragraph (1) shall not become effective before the
24 effective date otherwise applicable to the action
25 under this Act.

1 **TITLE II— OFFERS AND SALES**
2 **OF DIGITAL ASSETS**

3 **SEC. 201. EXEMPTED TRANSACTIONS IN DIGITAL ASSETS.**

4 (a) IN GENERAL.—The Securities Act of 1933 (15
5 U.S.C. 77a et seq.) is amended—

6 (1) in section 4(a), by adding at the end the
7 following:

8 “(8) transactions involving the offer or sale of
9 units of a digital asset by a digital asset issuer, if—

10 “(A) the aggregate amount of units of the
11 digital asset sold by the digital asset issuer in
12 reliance on the exemption provided under this
13 paragraph, during the 12-month period pre-
14 ceding the date of such transaction, including
15 the amount sold in such transaction, is not
16 more than \$75,000,000 (as such amount is an-
17 nually adjusted by the Commission to reflect
18 the change in the Consumer Price Index for All
19 Urban Consumers published by the Bureau of
20 Labor Statistics of the Department of Labor);

21 “(B) with respect to a transaction involv-
22 ing the purchase of units of a digital asset by
23 a person who is not an accredited investor, the
24 aggregate amount of all units of digital assets
25 purchased by such person during the 12-month

1 period preceding the date of such transaction,
2 including the unit of a digital asset purchased
3 in such transaction, does not exceed the greater
4 of—

5 “(i) 10 percent of the person’s annual
6 income or joint income with that person’s
7 spouse or spousal equivalent ; or

8 “(ii) 10 percent of the person’s net
9 worth or joint net worth with the person’s
10 spouse or spousal equivalent;

11 “(C) after the completion of the trans-
12 action, the purchaser does not own more than
13 10 percent of the total amount of the units of
14 the digital asset sold in reliance on the exemp-
15 tion under this paragraph;

16 “(D) the transaction does not involve the
17 offer or sale of any digital asset not offered as
18 part of an investment contract;

19 “(E) the transaction does not involve the
20 offer or sale of a unit of a digital asset by a
21 digital asset issuer that—

22 “(i) is not organized under the laws of
23 a State, a territory of the United States or
24 the District of Columbia;

1 “(ii) is a development stage company
2 that either—

3 “(I) has no specific business plan
4 or purpose; or

5 “(II) has indicated that the busi-
6 ness plan of the company is to merge
7 with or acquire an unidentified com-
8 pany;

9 “(iii) is an investment company, as
10 defined in section 3 of the Investment
11 Company Act of 1940 (15 U.S.C. 80a-3),
12 or is excluded from the definition of invest-
13 ment company by section 3(b) or section
14 3(c) of that Act (15 U.S.C. 80a-3(b) or
15 80a-3(c));

16 “(iv) is issuing fractional undivided
17 interests in oil or gas rights, or a similar
18 interest in other mineral rights;

19 “(v) is, or has been, subject to any
20 order of the Commission entered pursuant
21 to section 12(j) of the Securities Exchange
22 Act of 1934 during the 5-year period be-
23 fore the filing of the offering statement; or

1 “(vi) is disqualified pursuant to sec-
2 tion 230.262 of title 17, Code of Federal
3 Regulations; and

4 “(F) the issuer meets the requirements of
5 section 4B(a).”; and

6 (2) by inserting after section 4A the following:

7 **“SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN DIG-**
8 **ITAL ASSET TRANSACTIONS.**

9 “(a) REQUIREMENTS FOR DIGITAL ASSET
10 ISSUERS.—

11 “(1) INFORMATION REQUIRED IN STATE-
12 MENT.—A digital asset issuer offering or selling a
13 unit of digital asset in reliance on section 4(a)(8)
14 shall file with the Commission a statement con-
15 taining the following information:

16 “(A) The name, legal status (including the
17 jurisdiction in which the issuer is organized and
18 the date of organization), and website of the
19 digital asset issuer.

20 “(B) The address and telephone number of
21 the issuer or a legal representative of the
22 issuer.

23 “(C) A certification that the digital asset
24 issuer meets the relevant requirements de-
25 scribed under section 4(a)(8).

1 “(D) An overview of the material aspects
2 of the offering.

3 “(E) A description of the purpose and in-
4 tended use of the offering proceeds.

5 “(F) A description of the plan of distribu-
6 tion of any unit of a digital asset that is to be
7 offered.

8 “(G) A description of the material risks
9 surrounding ownership of a unit of a digital
10 asset.

11 “(H) A description of the material aspects
12 of the digital asset issuer’s business.

13 “(I) A description of exempt offerings con-
14 ducted within the past three years by the digital
15 asset issuer.

16 “(J) A description of the digital asset
17 issuer and the current number of employees of
18 the digital asset issuer.

19 “(K) A description of any material trans-
20 actions or relationships between the digital
21 asset issuer and affiliated persons.

22 “(L) A description of exempt offerings
23 conducted within the past three years.

24 “(2) INFORMATION REQUIRED FOR PUR-
25 CHASERS.—A digital asset issuer shall disclose the

1 information described under section 43 of the Secu-
2 rities Exchange Act of 1934 on a freely accessible
3 public website.

4 “(3) ONGOING DISCLOSURE REQUIREMENTS.—
5 A digital asset issuer that has filed a statement
6 under paragraph (1) to offer and sell a unit of a dig-
7 ital asset in reliance on section 4(a)(8) shall file the
8 following with the Commission:

9 “(A) ANNUAL REPORTS.—An annual re-
10 port that includes any material changes to the
11 information described under paragraph (2) for
12 the current fiscal year and for any fiscal year
13 thereafter, unless the issuer is no longer obli-
14 gated to file such annual report pursuant to
15 paragraph (4).

16 “(B) SEMIANNUAL REPORTS.—Along with
17 each annual report required under subpara-
18 graph (A), and separately six months there-
19 after, a report containing—

20 “(i) an updated description of the cur-
21 rent state and timeline for the development
22 of the blockchain system to which the dig-
23 ital asset relates, showing how and when
24 the blockchain system intends or intended

1 to be considered a functional network and
2 a decentralized network;

3 “(ii) the amount of money raised by
4 the digital asset issuer in reliance on sec-
5 tion 4(a)(8), how much of that money has
6 been spent, and the general categories and
7 amounts on which that money has been
8 spent; and

9 “(iii) any material changes to the in-
10 formation in the most recent annual re-
11 port.

12 “(C) CURRENT REPORTS.—A current re-
13 port shall be filed with the Commission reflect-
14 ing any material changes to the information
15 previously reported to the Commission by the
16 digital asset issuer.

17 “(4) TERMINATION OF REPORTING REQUIRE-
18 MENTS.—

19 “(A) IN GENERAL.—The ongoing reporting
20 requirements under paragraph (3) shall not
21 apply to a digital asset issuer 180 days after
22 the end of the covered fiscal year.

23 “(B) COVERED FISCAL YEAR DEFINED.—
24 In this paragraph, the term ‘covered fiscal year’
25 means the first fiscal year of an issuer in which

1 the blockchain system to which the digital asset
2 relates is a functional network and certified to
3 be a decentralized network under section 44 of
4 the Securities Exchange Act of 1934.

5 “(b) REQUIREMENTS FOR INTERMEDIARIES.—

6 “(1) IN GENERAL.—A person acting as an
7 intermediary in a transaction involving the offer or
8 sale of a unit of a digital asset in reliance on section
9 4(a)(8) shall—

10 “(A) register with the Commission as a
11 digital asset broker; and

12 “(B) be a member of a national securities
13 association registered under section 15A of the
14 Securities Exchange Act of 1934 (15 U.S.C.
15 78o-3).

16 “(2) PURCHASER QUALIFICATION.—

17 “(A) IN GENERAL.—Each time, before ac-
18 cepting any commitment (including any addi-
19 tional commitment from the same person), an
20 intermediary or digital asset issuer shall have a
21 reasonable basis for believing that the pur-
22 chaser satisfies the requirements of section
23 4(a)(8).

24 “(B) RELIANCE ON PURCHASER’S REP-
25 RESENTATIONS.—For purposes of subpara-

1 graph (A), an intermediary or digital asset
2 issuer may rely on a purchaser's representa-
3 tions concerning the purchaser's annual income
4 and net worth and the amount of the pur-
5 chaser's other investments made, unless the
6 intermediary or digital asset issuer has reason
7 to question the reliability of the representation.

8 “(C) RELIANCE ON INTERMEDIARY.—For
9 purposes of determining whether a transaction
10 meets the requirements described under sub-
11 paragraph (A) through (C) of section 4(a)(8), a
12 digital asset issuer may rely on the efforts of an
13 intermediary.

14 “(c) ADDITIONAL PROVISIONS.—

15 “(1) ACCEPTANCE OF WRITTEN OFFERS;
16 SALES.—After an issuer files a statement under
17 paragraph (1) to offer and sell a digital asset in reli-
18 ance on section 4(a)(8)—

19 “(A) written offers of the digital asset may
20 be made; and

21 “(B) the issuer may sell the digital assets
22 in reliance on section 4(a)(8), if such sales meet
23 all other requirements.

24 “(2) SOLICITATION OF INTEREST.—

1 “(A) IN GENERAL.—At any time before
2 the filing of a statement under paragraph (1),
3 a digital asset issuer may communicate orally
4 or in writing to determine whether there is any
5 interest in a contemplated offering. Such com-
6 munications are deemed to be an offer of a unit
7 of a digital asset for sale for purposes of the
8 anti-fraud provisions of the Federal securities
9 laws. No solicitation or acceptance of money or
10 other consideration, nor of any commitment,
11 binding or otherwise, from any person is per-
12 mitted until the statement is filed.

13 “(B) CONDITIONS.—In any communication
14 described under subparagraph (A), the digital
15 asset issuer shall—

16 “(i) state that no money or other con-
17 sideration is being solicited, and if sent in
18 response, will not be accepted;

19 “(ii) state that no offer to buy a unit
20 of a digital asset can be accepted and no
21 part of the purchase price can be received
22 until the statement is filed and then only
23 through an intermediary; and

1 “(iii) state that a person’s indication
2 of interest involves no obligation or com-
3 mitment of any kind.

4 “(C) INDICATIONS OF INTEREST.—Any
5 written communication described under sub-
6 paragraph (A) may include a means by which
7 a person may indicate to the digital asset issuer
8 that such person is interested in a potential of-
9 fering. A digital asset issuer may require a
10 name, address, telephone number, or email ad-
11 dress in any response form included with a
12 communication described under subparagraph
13 (A).

14 “(3) DISQUALIFICATION PROVISIONS.—The
15 Commission shall issue rules to apply the disquali-
16 fication provisions under section 230.262 of title 17,
17 Code of Federal Regulations, to the exemption pro-
18 vided under section 4(a)(8).

19 “(4) DIGITAL ASSETS DEEMED RESTRICTED
20 DIGITAL ASSET.—A unit of a digital asset acquired
21 directly or indirectly from the digital asset issuer in
22 reliance on the exemption provided under section
23 4(a)(8) is deemed a restricted digital asset.”.

24 (b) ADDITIONAL EXEMPTIONS.—

1 (1) CERTAIN REGISTRATION REQUIREMENTS.—
2 Section 12(g)(6) of the Securities Exchange Act of
3 1934 (15 U.S.C. 78l(g)(6)) is amended by striking
4 “under section 4(6)” and inserting “under section
5 4(a)(6) or 4(a)(8)”.

6 (2) EXEMPTION FROM STATE REGULATION.—
7 Section 18(b)(4) of the Securities Act of 1933 (15
8 U.S.C. 77r(b)(4)) is amended—

9 (A) in section (B), by striking “section
10 4(4)” and inserting “section 4(a)(4)”;

11 (B) in section (C), by striking “section
12 4(6)” and inserting “section 4(a)(6)”;

13 (C) in subparagraph (F)—

14 (i) by striking “section 4(2)” each
15 place such term appears and inserting
16 “section 4(a)(2)”;

17 (ii) by striking “or” at the end;

18 (D) in subparagraph (G), by striking the
19 period and inserting “; or”; and

20 (E) by adding at the end the following:

21 “(H) section 4(a)(8).”.

1 **SEC. 202. REQUIREMENTS FOR OFFERS AND SALES OF CER-**
2 **TAIN DIGITAL ASSETS.**

3 Title I of the Securities Exchange Act of 1934 (15
4 U.S.C. 78a et seq.) is amended by adding at the end the
5 following:

6 **“SEC. 42. REQUIREMENTS FOR OFFERS AND SALES OF CER-**
7 **TAIN DIGITAL ASSETS.**

8 “(a) OFFERS AND SALES OF CERTAIN RESTRICTED
9 DIGITAL ASSETS.—

10 “(1) IN GENERAL.—Notwithstanding any other
11 provision of law, subject to paragraph (2), a re-
12 stricted digital asset may be offered and sold on a
13 digital asset trading system by any person other
14 than a digital asset issuer if, at the time of such
15 offer or sale, any blockchain system to which the re-
16 stricted digital asset relates is a functional network
17 and the information described in section 43 has been
18 certified and made publicly available for any
19 blockchain system to which the restricted digital
20 asset relates.

21 “(2) ADDITIONAL RULES FOR RELATED PER-
22 SONS AND AFFILIATED PERSONS.—Except as pro-
23 vided under subsection (c), a restricted digital asset
24 owned by a related person or an affiliated person
25 may only be offered or sold after 12 months after
26 the later of—

1 “(A) the date on which such restricted dig-
2 ital asset was acquired; or

3 “(B) the digital asset maturity date.

4 “(b) OFFERS AND SALES OF CERTAIN DIGITAL COM-
5 MODITIES.—

6 “(1) IN GENERAL.—Subject to paragraph (2), a
7 digital commodity may be offered and sold by any
8 person.

9 “(2) RULES FOR RELATED AND AFFILIATED
10 PERSONS.—Except as provided under subsection (c),
11 a digital commodity may only be offered or sold by
12 a related person or an affiliated person if—

13 “(A) the holder of the digital commodity
14 owned the digital commodity while it was a re-
15 stricted digital asset for 12 months after the
16 later of—

17 “(i) the date on which such restricted
18 digital asset was acquired; or

19 “(ii) the digital asset maturity date;

20 “(B) any blockchain system to which the
21 digital commodity relates is certified to be a de-
22 centralized network under section 44; and

23 “(C) the digital commodity is offered or
24 sold on or subject to the rules of a digital com-

1 modity exchange registered under section 5i of
2 the Commodity Exchange Act.

3 “(3) NOT AN INVESTMENT CONTRACT.—For
4 purposes of the securities laws, an offer or sale of
5 a digital commodity that does not violate paragraph
6 (2) shall not be a transaction in an investment con-
7 tract.

8 “(c) SALES RESTRICTIONS FOR AFFILIATED PER-
9 SONS.—A digital asset may be offered and sold by an af-
10 filiated person under subsection (a) or (b) if—

11 “(1) the aggregate amount of such digital as-
12 sets sold in any 3-month period by the affiliated per-
13 son is not greater than one percent of the digital as-
14 sets then outstanding; or

15 “(2) the affiliated person promptly, following
16 the placement of an order to sell one percent of the
17 digital assets then outstanding during any 3-month
18 period, reports the sale to—

19 “(A) the Commodity Futures Trading
20 Commission, in the case of an order to sell a
21 digital commodity on or subject to the rules of
22 a digital commodity exchange; or

23 “(B) the Securities and Exchange Commis-
24 sion, in the case of a sell order for a restricted

1 digital asset placed with a digital asset trading
2 system.

3 “(d) TREATMENT OF CERTAIN END USER DISTRIBUTIONS UNDER THE SECURITIES LAWS.—

4
5 “(1) IN GENERAL.—With respect to a digital
6 asset, an end user distribution is described under
7 this paragraph if—

8 “(A) each blockchain system to which such
9 digital asset relates is a functional network; and

10 “(B) with respect to the digital asset and
11 each blockchain system to which such digital
12 asset relates, the information described in section 43 has been certified and made publicly
13 available.
14

15 “(2) NOT AN INVESTMENT CONTRACT.—For
16 purposes of the securities laws, an end user distribution described under paragraph (1) shall not be a
17 transaction in an investment contract.
18

19 “(3) EXEMPTION.—Section 5 of the Securities
20 Act of 1933 (15 U.S.C. 77e) shall not apply to an
21 end user distribution described under paragraph (1)
22 or a transaction in a unit of digital asset issued in
23 such a distribution.”

1 **SEC. 203. ENHANCED DISCLOSURE REQUIREMENTS.**

2 Title I of the Securities Exchange Act of 1934 (15
3 U.S.C. 78a et seq.), as amended by section 202, is further
4 amended by adding at the end the following:

5 **“SEC. 43. ENHANCED DISCLOSURE REQUIREMENTS WITH**
6 **RESPECT TO DIGITAL ASSETS.**

7 “(a) DISCLOSURE INFORMATION.—With respect to a
8 digital asset and any blockchain system to which the dig-
9 ital asset relates, the information described under this sec-
10 tion is as follows:

11 “(1) SOURCE CODE.—The source code for any
12 blockchain system to which the digital asset relates.

13 “(2) TRANSACTION HISTORY.—A description of
14 the steps necessary to independently access, search,
15 and verify the transaction history of any blockchain
16 system to which the digital asset relates.

17 “(3) DIGITAL ASSET ECONOMICS.—A descrip-
18 tion of the purpose of any blockchain system to
19 which the digital asset relates and the operation of
20 any such blockchain system, including—

21 “(A) information explaining the launch
22 and supply process, including the number of
23 digital assets to be issued in an initial alloca-
24 tion, the total number of digital assets to be
25 created, the release schedule for the digital as-

1 sets, and the total number of digital assets then
2 outstanding;

3 “(B) information on any applicable con-
4 sensus mechanism or process for validating
5 transactions, method of generating or mining
6 digital assets, and any process for burning or
7 destroying digital assets on the blockchain sys-
8 tem;

9 “(C) an explanation of governance mecha-
10 nisms for implementing changes to the
11 blockchain system or forming consensus among
12 holders of such digital assets; and

13 “(D) sufficient information for a third
14 party to create a tool for verifying the trans-
15 action history of the digital asset.

16 “(4) PLAN OF DEVELOPMENT.—The current
17 state and timeline for the development of any
18 blockchain system to which the digital asset relates,
19 showing how and when the blockchain system in-
20 tends or intended to be considered a functional net-
21 work and decentralized network.

22 “(5) DEVELOPMENT DISCLOSURES.—A list of
23 all persons who are related persons or affiliated per-
24 sons who have been issued a unit of a digital asset

1 by a digital asset issuer or have a right to a unit of
2 a digital asset from a digital asset issuer.

3 “(6) RISK FACTOR DISCLOSURES.—Where ap-
4 propriate, provide under the caption ‘Risk Factors’
5 a description of the material risks surrounding own-
6 ership of a unit of a digital asset. This discussion
7 shall be organized logically with relevant headings
8 and each risk factor shall be set forth under a sub-
9 caption that adequately describes the risk.

10 “(b) CERTIFICATION.—With respect to a digital asset
11 and any blockchain system to which the digital asset re-
12 lates, the information required to be made available under
13 this section has been certified if the digital asset issuer,
14 an affiliated person, a decentralized governance system,
15 or a digital commodity exchange certifies on a quarterly
16 basis to the Commodity Futures Trading Commission and
17 the Securities and Exchange Commission that the infor-
18 mation is true and correct.”.

19 **SEC. 204. CERTIFICATION OF CERTAIN DIGITAL ASSETS.**

20 Title I of the Securities Exchange Act of 1934 (15
21 U.S.C. 78a et seq.), as amended by section 203, is further
22 amended by adding at the end the following:

23 **“SEC. 44. CERTIFICATION OF CERTAIN DIGITAL ASSETS.**

24 “(a) CERTIFICATION.—Any person may certify to the
25 Securities and Exchange Commission that the blockchain

1 system to which a digital asset relates is a decentralized
2 network.

3 “(b) FILING REQUIREMENTS.—A certification de-
4 scribed under subsection (a) shall be filed with the Com-
5 mission, and include—

6 “(1) information regarding the person making
7 the certification;

8 “(2) a description of the blockchain system and
9 the digital asset which relates to such blockchain
10 system, including—

11 “(A) the operation of the blockchain sys-
12 tem;

13 “(B) the functionality of the related digital
14 asset;

15 “(C) any decentralized governance system
16 which relates to the blockchain system; and

17 “(D) the process to develop consensus or
18 agreement within such decentralized governance
19 system;

20 “(3) a description of the development of the
21 blockchain system and the digital asset which relates
22 to the blockchain system, including—

23 “(A) a history of the development of the
24 blockchain system and the digital asset which
25 relates to such blockchain system;

1 “(B) a description of the issuance process
2 for the digital asset which relates to the
3 blockchain system;

4 “(C) information identifying the digital
5 asset issuer of the digital asset which relates to
6 the blockchain system; and

7 “(D) a list of any affiliated person related
8 to the digital asset issuer;

9 “(4) an analysis of the factors on which such
10 person based the certification that the blockchain
11 system is a decentralized network, including—

12 “(A) an explanation of the protections and
13 prohibitions available during the previous 12
14 months against any one person being able to—

15 “(i) control or materially alter the
16 blockchain system;

17 “(ii) exclude any other person from
18 using or participating on the blockchain
19 system; and

20 “(iii) exclude any other person from
21 participating in a decentralized governance
22 system;

23 “(B) information regarding the beneficial
24 ownership of the digital asset which relates to
25 such blockchain system and the distribution of

1 voting power in any decentralized governance
2 system during the previous 12 months;

3 “(C) information regarding the history of
4 upgrades to the source code for such blockchain
5 system during the previous 3 months, includ-
6 ing—

7 “(i) a description of any consensus or
8 agreement process utilized to process or
9 approve changes to the source code;

10 “(ii) a list of any material changes to
11 the source code, the purpose and effect of
12 the changes, and the contributor of the
13 changes, if known; and

14 “(iii) any changes to the source code
15 made by the digital asset issuer, a related
16 person, or an affiliated person;

17 “(D) information regarding any activities
18 conducted to market the digital asset which re-
19 lates to the blockchain system during the pre-
20 vious 3 months by the digital asset issuer or an
21 affiliated person of the digital asset issuer; and

22 “(E) information regarding any issuance of
23 a unit of the digital asset which relates to such
24 blockchain system during the previous 12
25 months; and

1 “(5) with respect to a blockchain system for
2 which a certification has previously been rebutted
3 under this section or withdrawn under section 5i(m)
4 of the Commodity Exchange Act, specific informa-
5 tion relating to the analysis provided in subsection
6 (f)(2) in connection with such rebuttal or such sec-
7 tion 5i(m)(1)(C) in connection with such withdrawal.

8 “(c) REBUTTABLE PRESUMPTION.—The Commission
9 may rebut a certification described under subsection (a)
10 with respect to a blockchain system if the Commission,
11 within 30 days of receiving such certification, determines
12 that the blockchain system is not a decentralized network.

13 “(d) CERTIFICATION REVIEW.—

14 “(1) IN GENERAL.—Any blockchain system that
15 relates to a digital asset for which a certification has
16 been made under subsection (a) shall be considered
17 a decentralized network 30 days after the date on
18 which the Commission receives a certification under
19 subsection (a), unless the Commission notifies the
20 person who made the certification within such time
21 that the Commission is staying the certification due
22 to—

23 “(A) an inadequate explanation by the per-
24 son making the certification; or

1 “(B) any novel or complex issues which re-
2 quire additional time to consider.

3 “(2) PUBLIC NOTICE.—The Commission shall
4 make the following available to the public and pro-
5 vide a copy to the Commodity Futures Trading
6 Commission:

7 “(A) Each certification received under sub-
8 section (a).

9 “(B) Each stay of the Commission under
10 this section, and the reasons therefore.

11 “(C) Any response from a person making
12 a certification under subsection (a) to a stay of
13 the certification by the Commission.

14 “(3) CONSOLIDATION.—The Commission may
15 consolidate and treat as one submission multiple cer-
16 tifications made under subsection (a) for the same
17 blockchain system which relates to a digital asset
18 which are received during the review period provided
19 under this subsection.

20 “(e) STAY OF CERTIFICATION.—

21 “(1) IN GENERAL.—A notification by the Com-
22 mission pursuant to subsection (d)(1) shall stay the
23 certification once for up to an additional 120 days
24 from the date of the notification.

1 “(2) PUBLIC COMMENT PERIOD.—Before the
2 end of the 30-day period described under subsection
3 (d)(1), the Commission may begin a public comment
4 period of at least 30 days in conjunction with a stay
5 under this section.

6 “(f) DISPOSITION OF CERTIFICATION.—

7 “(1) IN GENERAL.—A certification made under
8 subsection (a) shall—

9 “(A) become effective—

10 “(i) upon the publication of a notifica-
11 tion from the Commission to the person
12 who made the certification that the Com-
13 mission does not object to the certification;
14 or

15 “(ii) at the expiration of the certifi-
16 cation review period; and

17 “(B) not become effective upon the publi-
18 cation of a notification from the Commission to
19 the person who made the certification that the
20 Commission has rebutted the certification.

21 “(2) DETAILED ANALYSIS INCLUDED WITH RE-
22 BUTTAL.—The Commission shall include, with each
23 publication of a notification of rebuttal described
24 under paragraph (1)(B), a detailed analysis of the
25 factors on which the decision was based.

1 “(g) RECERTIFICATION.—With respect to a
2 blockchain system for which a certification has been rebut-
3 ted under this section, no person may make a certification
4 under subsection (a) with respect to such blockchain sys-
5 tem during the 90-day period beginning on the date of
6 such rebuttal.

7 “(h) APPEAL OF REBUTTAL.—

8 “(1) IN GENERAL.—If a certification is rebut-
9 ted under this section, the person making such cer-
10 tification may appeal the decision to the United
11 States Court of Appeals for the District of Colum-
12 bia, not later than 60 days after the notice of rebut-
13 tal is made.

14 “(2) REVIEW.—In an appeal under paragraph
15 (1), the court shall have de novo review of the deter-
16 mination to rebut the certification.

17 “(i) LIABILITY FOR PROVIDING FALSE INFORMA-
18 TION.—It shall be unlawful for any person to provide false
19 information in support of a certification under this section
20 if such person knew or reasonably should have known such
21 information was false.”.

22 **SEC. 205. EFFECTIVE DATE.**

23 Unless otherwise provided in this title, this title and
24 the amendments made by this title shall take effect 360
25 days after the date of enactment of this Act, except that,

1 to the extent a provision of this title requires a rule-
2 making, the provision shall take effect on the later of—

3 (1) 360 days after the date of enactment of this
4 Act; or

5 (2) 60 days after the publication in the Federal
6 Register of the final rule implementing the provision.

7 **TITLE III—REGISTRATION FOR**
8 **DIGITAL ASSET INTER-**
9 **MEDIARIES AT THE SECURI-**
10 **TIES AND EXCHANGE COM-**
11 **MISSION**

12 **SEC. 301. TREATMENT OF DIGITAL COMMODITIES AND**
13 **OTHER DIGITAL ASSETS.**

14 (a) SECURITIES ACT OF 1933.—Section 2(a)(1) of
15 the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) is
16 amended by adding at the end the following: “The term
17 does not include a digital commodity or permitted pay-
18 ment stablecoin.”.

19 (b) SECURITIES EXCHANGE ACT OF 1934.—Section
20 3(a) of the Securities Exchange Act of 1934 (15 U.S.C.
21 78c(a)) is amended—

22 (1) in paragraph (1), by adding at the end the
23 following: “The term ‘exchange’ does not include a
24 digital asset trading system, blockchain protocol, or

1 any person or group of persons solely because of
2 their development of a blockchain protocol.”;

3 (2) in paragraph (2), by adding at the end the
4 following: “A digital asset trading system is not a
5 ‘facility’ of an exchange.”;

6 (3) in paragraph (4)(A), by inserting “, other
7 than restricted digital assets,” after “securities”;

8 (4) in paragraph (5)(A), by inserting “re-
9 stricted digital assets or” after “not including”;

10 (5) in paragraph (26) by inserting “(other than
11 a notice-registered digital asset clearing agency)”
12 after “or registered clearing agency”;

13 (6) in paragraph (28) by inserting “(other than
14 a notice-registered digital asset clearing agency)”
15 after “registered clearing agency”; and

16 (7) in paragraph (10), by adding at the end the
17 following: “Subject to subsection (i), the term does
18 not include a digital commodity or permitted pay-
19 ment stablecoin.”.

20 (c) INVESTMENT ADVISERS ACT OF 1940.—Section
21 202(a) of the Investment Advisers Act of 1940 (15 U.S.C.
22 80b–2) is amended—

23 (1) in paragraph (18), by adding at the end the
24 following: “The term does not include a digital com-
25 modity or permitted payment stablecoin.”;

1 (2) by redesignating the second paragraph (29)
2 (relating to commodity pools) as paragraph (31);

3 (3) by adding at the end, the following:

4 “(32) DIGITAL ASSET-RELATED TERMS.—The
5 terms ‘digital commodity’ and ‘permitted payment
6 stablecoin’ have the meaning given those terms, re-
7 spectively, under section 2(a) of the Securities Act
8 of 1933 (15 U.S.C. 77b(a)).”.

9 (d) INVESTMENT COMPANY ACT OF 1940.—Section
10 2(a) of the Investment Company Act of 1940 (15 U.S.C.
11 80a–2) is amended—

12 (1) in paragraph (36), by adding at the end the
13 following: “The term does not include a digital com-
14 modity or permitted payment stablecoin.”; and

15 (2) by adding at the end, the following:

16 “(55) DIGITAL ASSET-RELATED TERMS.—The
17 terms ‘digital commodity’ and ‘permitted payment
18 stablecoin’ have the meaning given those terms, re-
19 spectively, under section 2(a) of the Securities Act
20 of 1933 (15 U.S.C. 77b(a)).”.

21 **SEC. 302. ANTI-FRAUD AUTHORITY OVER PERMITTED PAY-**
22 **MENT STABLECOINS.**

23 (a) IN GENERAL.—Section 10 of the Securities Ex-
24 change Act of 1934 (15 U.S.C. 78j) is amended—

1 (1) by moving subsection (c) so as to appear
2 after subsection (b);

3 (2) by designating the undesignated matter at
4 the end of that section as subsection (d); and

5 (3) by adding at the end the following:

6 “(e)(1) Rules promulgated under subsection (b) that
7 prohibit fraud, manipulation, or insider trading (but not
8 rules imposing or specifying reporting or recordkeeping re-
9 quirements, procedures, or standards as prophylactic
10 measures against fraud, manipulation, or insider trading),
11 and judicial precedents decided under subsection (b) and
12 rules promulgated thereunder that prohibit fraud, manip-
13 ulation, or insider trading, shall apply to permitted pay-
14 ment stablecoins with respect to those circumstances in
15 which the permitted payment stablecoins are brokered,
16 traded, or custodied by a broker, dealer, digital asset
17 broker, or digital asset dealer or through an alternative
18 trading system or digital asset trading platform to the
19 same extent as they apply to securities.

20 “(2) Judicial precedents decided under section 17(a)
21 of the Securities Act of 1933 and sections 9, 15, 16, 20,
22 and 21A of this title, and judicial precedents decided
23 under applicable rules promulgated under such sections,
24 shall apply to permitted payment stablecoins with respect
25 to those circumstances in which the permitted payment

1 stablecoins are brokered, traded, or custodied by a digital
2 asset broker, digital asset dealer, or digital asset trading
3 system to the same extent as they apply to securities.

4 “(3) Nothing in this subsection may be construed to
5 provide the Commission authority to make any rule, regu-
6 lation, requirement, or obligation on a permitted payment
7 stablecoin issuer regarding the operations of a permitted
8 payment stablecoin issuer or a permitted payment
9 stablecoin, including any aspect of the operation of a per-
10 mitted payment stablecoin issuer or permitted payment
11 stablecoin.”.

12 (b) TREATMENT OF PERMITTED PAYMENT
13 STABLECOINS.—Title I of the Securities Exchange Act of
14 1934 (15 U.S.C. 78a et seq.), as amended by section 303,
15 is amended by inserting after section 6B the following

16 **“SEC. 6C. TREATMENT OF TRANSACTIONS IN PERMITTED**
17 **PAYMENT STABLECOINS.**

18 “(a) AUTHORITY TO BROKER, TRADE, AND CUSTODY
19 PERMITTED PAYMENT STABLECOINS.—Permitted pay-
20 ment stablecoins may be brokered, traded, or custodied by
21 a broker, dealer, digital asset broker, or digital asset deal-
22 er or through an alternative trading system or digital asset
23 trading platform.

24 “(b) IN GENERAL.—The Commission shall have ju-
25 risdiction over a transaction in a permitted payment

1 stablecoin with respect to those circumstances in which a
2 permitted payment stablecoin is brokered, traded, or
3 custodied—

4 “(1) by a broker, dealer, digital asset broker, or
5 digital asset dealer; or

6 “(2) through an alternative trading system or
7 digital asset trading system.

8 “(c) LIMITATION.—Subsection (b) shall only apply to
9 a transaction described in subsection (b) for the purposes
10 of regulating the offer, execution, solicitation, or accept-
11 ance of a permitted payment stablecoin in those cir-
12 cumstances in which the permitted payment stablecoin is
13 brokered, traded, or custodied—

14 “(1) by a broker, dealer, digital asset broker, or
15 digital asset dealer; or

16 “(2) through an alternative trading system or
17 digital asset trading system.”.

18 **SEC. 303. REGISTRATION OF DIGITAL ASSET TRADING SYS-**

19 **TEMS.**

20 Section 6 of the Securities Exchange Act of 1934 (15
21 U.S.C. 78f) is amended by adding at the end the following:

22 “(m) DIGITAL ASSET TRADING SYSTEM.—

23 “(1) IN GENERAL.—It shall be unlawful for any
24 digital asset trading system to make use of the mails
25 or any means or instrumentality of interstate com-

1 merce within or subject to the jurisdiction of the
2 United States to effect any transaction in a re-
3 stricted digital asset, unless such digital asset trad-
4 ing system is registered with the Commission.

5 “(2) APPLICATION.—A person desiring to reg-
6 ister as a digital asset trading system shall submit
7 to the Commission an application in such form and
8 containing such information as the Commission may
9 require for the purpose of making the determina-
10 tions required for approval.

11 “(3) EXEMPTIONS.—A digital asset trading sys-
12 tem that offers or seeks to offer at least one re-
13 stricted digital asset shall not be required to register
14 under this section (and subparagraph (A) shall not
15 apply to such digital asset trading system) if the
16 trading system satisfies any exemption contained on
17 a list of exemptions prepared by the Commission to
18 be as close as practicable to those exemptions set
19 forth in section 240.3b–16(b) of title 17, Code of
20 Federal Regulations, applicable to the definition of
21 an exchange.

22 “(4) ADDITIONAL REGISTRATIONS.—

23 “(A) WITH THE COMMISSION.—

24 “(i) IN GENERAL.—A registered dig-
25 ital asset trading system shall be permitted

1 to maintain any other registration with the
2 Commission relating to the other activities
3 of the registered digital asset trading sys-
4 tem, including as a—

5 “(I) national securities exchange;

6 “(II) broker;

7 “(III) dealer;

8 “(IV) alternative trading system,
9 pursuant to part 242 of title 17, Code
10 of Federal Regulations, as in effect on
11 the date of enactment of this sub-
12 section;

13 “(V) digital asset broker; or

14 “(VI) digital asset dealer.

15 “(ii) RULEMAKING.—The Commission
16 shall prescribe rules for an entity with
17 multiple registrations described under sub-
18 paragraph (A) to exempt the entity from
19 duplicative, conflicting, or unduly burden-
20 some provisions of this Act and the rules
21 under this Act, to the extent such an ex-
22 emption would protect investors, maintain
23 fair, orderly, and efficient markets, and fa-
24 cilitate capital formation.

1 “(B) WITH THE COMMODITY FUTURES
2 TRADING COMMISSION.—A registered digital
3 asset trading system shall be permitted to
4 maintain a registration with the Commodity
5 Futures Trading Commission as a digital com-
6 modity exchange to offer contracts of sale for
7 digital commodities.”.

8 **SEC. 304. REQUIREMENTS FOR DIGITAL ASSET TRADING**
9 **SYSTEMS.**

10 Title I of the Securities Exchange Act of 1934 (15
11 U.S.C. 78a et seq.) is amended by inserting after section
12 6 the following:

13 **“SEC. 6A. REQUIREMENTS FOR DIGITAL ASSET TRADING**
14 **SYSTEMS.**

15 “(a) HOLDING OF CUSTOMER ASSETS.—

16 “(1) IN GENERAL.—A digital asset trading sys-
17 tem shall hold customer money, assets, and property
18 in a manner to minimize the risk of loss to the cus-
19 tomer or unreasonable delay in the access to the
20 money, assets, and property of the customer.

21 “(2) QUALIFIED DIGITAL ASSET CUSTODIAN
22 REQUIRED.—A digital asset trading system shall
23 hold customer restricted digital assets described in
24 paragraph (1) with a qualified digital asset custo-
25 dian described under section 6B.

1 “(3) CUSTODY PROHIBITED.—Subject to para-
2 graph (4), a digital asset trading system, in its ca-
3 pacity as such, may not hold custody of customer
4 money, assets, or property.

5 “(c) RULEMAKING.—The Commission shall prescribe
6 rules for digital asset trading systems relating to the fol-
7 lowing:

8 “(1) NOTICE.—Notice to the Commission of the
9 initial operation of a digital asset trading system or
10 any material change to the operation of the digital
11 asset trading system.

12 “(2) ORDER DISPLAY.—The thresholds at
13 which a digital asset trading system is required to
14 display the orders of the digital asset trading sys-
15 tem, and the manner of such display.

16 “(3) FAIR ACCESS.—The thresholds at which a
17 digital asset trading system is required to have poli-
18 cies regarding providing fair access to the digital
19 asset trading system.

20 “(4) CAPACITY, INTEGRITY, AND SECURITY OF
21 AUTOMATED SYSTEMS.—Policies and procedures rea-
22 sonably designed to ensure the capacity, integrity,
23 and security of the digital asset trading system, tak-
24 ing into account the particular nature of digital
25 asset trading systems.

1 “(5) EXAMINATIONS, INSPECTIONS, AND INVES-
2 TIGATIONS.—The examination and inspection of the
3 premises, systems, and records of the digital asset
4 trading system by the Commission or by a self-regu-
5 latory organization of which such digital asset trad-
6 ing system is a member.

7 “(6) RECORDKEEPING.—The making, keeping
8 current, and preservation of records related to trad-
9 ing activity on the digital asset trading system.

10 “(7) REPORTING.—The reporting of trans-
11 actions in digital assets that occur through the dig-
12 ital asset trading system.

13 “(8) PROCEDURES.—The establishment of ade-
14 quate written safeguards and written procedures to
15 protect confidential trading information.

16 “(d) NAME REQUIREMENT.—A digital asset trading
17 system may not use the word ‘exchange’ in the name of
18 the digital asset trading system, unless the digital asset
19 trading system—

20 “(1) is operated by a registered national securi-
21 ties exchange; and

22 “(2) is clearly indicated as being provided out-
23 side of the system’s capacity as a national securities
24 exchange.

1 “(e) TREATMENT UNDER THE BANK SECRECY
2 ACT.—A digital asset trading system shall be treated as
3 a financial institution for purposes of the Bank Secrecy
4 Act.

5 **“SEC. 6B. REQUIREMENTS FOR QUALIFIED DIGITAL ASSET**
6 **CUSTODIANS.**

7 “(a) IN GENERAL.—A digital asset custodian is a
8 qualified digital asset custodian if the digital asset custo-
9 dian complies with the requirements of this section.

10 “(b) SUPERVISION REQUIREMENT.—

11 “(1) IN GENERAL.—A digital asset custodian
12 shall—

13 “(A) be subject to adequate supervision
14 and appropriate regulation by—

15 “(i) the Board of Governors of the
16 Federal Reserve System;

17 “(ii) the Comptroller of the Currency;

18 “(iii) the Federal Deposit Insurance
19 Corporation;

20 “(iv) the Commodity Futures Trading
21 Commission;

22 “(v) the Securities and Exchange
23 Commission;

1 “(vi) a State bank supervisor (within
2 the meaning of section 3 of the Federal
3 Deposit Insurance Act); or

4 “(vii) an appropriate foreign govern-
5 mental authority in the home country of
6 the digital asset custodian; and

7 “(B) not be prohibited by the applicable
8 supervisor from engaging in an activity with re-
9 spect to the custody and safekeeping of digital
10 assets.

11 “(2) ADEQUATE SUPERVISION AND APPRO-
12 PRIATE REGULATION.—For purposes of paragraph
13 (1), the terms ‘adequate supervision’ and ‘appro-
14 priate regulation’ mean such minimum standards for
15 supervision and regulation as are reasonably nec-
16 essary to protect the digital assets of customers of
17 an entity registered with the Commission, including
18 minimum standards relating to—

19 “(A) accessibility of customer assets;

20 “(B) financial resources;

21 “(C) risk management requirements;

22 “(D) governance arrangements;

23 “(E) fitness standards for officers and di-
24 rectors;

25 “(F) recordkeeping;

1 “(G) information sharing; and

2 “(H) conflicts of interest.

3 “(3) DEEMED COMPLIANCE.—A digital asset
4 custodian shall be deemed to be subject to adequate
5 supervision and appropriate regulation, if—

6 “(A) it is supervised by an agency de-
7 scribed under any of clauses (i) through (v) of
8 paragraph (1)(A); or

9 “(B) it is a bank supervised by a State
10 bank supervisor (within the meaning of section
11 3 of the Federal Deposit Insurance Act).

12 “(4) RULEMAKING WITH RESPECT TO DEFINI-
13 TIONS.—For purposes of this subsection, the Com-
14 mission may, by rule, further define the terms ‘ade-
15 quate supervision’ and ‘appropriate regulation’ as
16 necessary in the public interest, as appropriate for
17 the protection of investors, and consistent with the
18 purposes of this Act.

19 “(c) INFORMATION SHARING.—Each digital asset
20 custodian shall periodically share of information with the
21 Commission, as the Commission determines by rule to be
22 reasonably necessary to effectuate any of the provisions,
23 or to accomplish any of the purposes, of this Act.”.

1 **SEC. 305. REGISTRATION OF DIGITAL ASSET BROKERS AND**
2 **DIGITAL ASSET DEALERS.**

3 The Securities Exchange Act of 1934 (15 U.S.C. 78a
4 et seq.) is amended by inserting after section 15G the fol-
5 lowing:

6 **“SEC. 15H. REGISTRATION OF DIGITAL ASSET BROKERS**
7 **AND DIGITAL ASSET DEALERS.**

8 “ (a) REGISTRATION.—

9 “(1) IN GENERAL.—It shall be unlawful for any
10 digital asset broker or digital asset dealer (other
11 than a natural person associated with a digital asset
12 broker or digital asset dealer, and other than such
13 a digital asset broker or digital asset dealer whose
14 business is exclusively intrastate and who does not
15 make use of any facility of a digital asset trading
16 platform) to make use of the mails or any means or
17 instrumentality of interstate commerce to effect any
18 transactions in, or to induce or attempt to induce
19 the purchase or sale of, any restricted digital asset
20 unless such digital asset broker or digital asset deal-
21 er is registered in accordance with this section.

22 “(2) APPLICATION.—A person desiring to reg-
23 ister as a digital asset broker or digital asset dealer
24 shall submit to the Commission an application in
25 such form and containing such information as the

1 Commission may require for the purpose of making
2 the determinations required for approval.

3 “(b) NATIONAL SECURITIES ASSOCIATION MEMBER-
4 SHIP.—

5 “(1) IN GENERAL.—A digital asset broker or
6 digital asset dealer may not register or maintain reg-
7 istration under this section unless such digital asset
8 broker or digital asset dealer is a member of a na-
9 tional securities association registered under section
10 15A.

11 “(2) TREATMENT UNDER SECTION 15A.—

12 “(A) IN GENERAL.—For purposes of sec-
13 tion 15A—

14 “(i) the term ‘broker’ includes a dig-
15 ital asset broker;

16 “(ii) the term ‘dealer’ includes a dig-
17 ital asset dealer; and

18 “(iii) the term ‘security’ includes a re-
19 stricted digital asset.

20 “(B) CLARIFICATION.—Notwithstanding
21 subparagraph (A), a national securities associa-
22 tion shall only examine for and enforce against
23 a digital asset broker and digital asset dealer
24 rules of such national securities association

1 written specifically for digital asset brokers and
2 a digital asset dealers.

3 “(3) EXCEPTION.—A digital asset broker or
4 digital asset dealer may register under this section
5 without obtaining membership in a national securi-
6 ties association until the end of the 360-day period
7 beginning on the date the first national securities as-
8 sociation adopts rules to admit digital asset brokers
9 or digital asset dealers as members.

10 “(c) ADDITIONAL REGISTRATIONS WITH THE COM-
11 MISSION.—

12 “(1) IN GENERAL.—A registered digital asset
13 broker or registered digital asset dealer shall be per-
14 mitted to maintain any other registration with the
15 Commission relating to the other activities of the
16 registered digital asset broker or registered digital
17 asset dealer, including as—

18 “(A) a national securities exchange;

19 “(B) a broker;

20 “(C) a dealer;

21 “(D) an alternative trading system, pursu-
22 ant to part 242 of title 17, Code of Federal
23 Regulations, as in effect on the date of enact-
24 ment of this section; or

25 “(E) a digital asset trading system.

1 “(2) RULEMAKING.—The Commission shall pre-
2 scribe rules for an entity with multiple registrations
3 described under paragraph (1) to exempt the entity
4 from duplicative, conflicting, or unduly burdensome
5 provisions of this Act and the rules under this Act,
6 to the extent such an exemption would protect inves-
7 tors, maintain fair, orderly, and efficient markets,
8 and facilitate capital formation.

9 “(3) SELF-REGULATORY ORGANIZATIONS.—The
10 Commission shall require any self-regulatory organi-
11 zation with a registered digital asset broker or reg-
12 istered digital asset dealer as a member to provide
13 such rules as may be necessary to further compli-
14 ance with this section, protect investors, maintain
15 fair, orderly, and efficient markets, and facilitate
16 capital formation.

17 “(d) ADDITIONAL REGISTRATIONS WITH THE COM-
18 MODITY FUTURES TRADING COMMISSION.—A registered
19 digital asset broker or registered digital asset dealer shall
20 be permitted to maintain a registration with the Com-
21 modity Futures Trading Commission as a digital com-
22 modity broker or digital commodity dealer, to list or trade
23 contracts of sale for digital commodities.”.

1 **SEC. 306. REQUIREMENTS OF DIGITAL ASSET BROKERS**
2 **AND DIGITAL ASSET DEALERS.**

3 Section 15H of the Securities Exchange Act of 1934,
4 as added by section 305, is amended by adding at the end
5 the following:

6 “(d) ANTI-FRAUD.—No digital asset broker or digital
7 asset dealer shall make use of the mails or any means or
8 instrumentality of interstate commerce to effect any trans-
9 action in, or to induce or attempt to induce the purchase
10 or sale of, any restricted digital asset by means of any
11 manipulative, deceptive, or other fraudulent device or con-
12 trivance.

13 “(e) HOLDING OF CUSTOMER ASSETS.—

14 “(1) IN GENERAL.—A digital asset broker or
15 digital asset dealer shall hold customer money, as-
16 sets, and property in a manner to minimize the risk
17 of loss to the customer or unreasonable delay in the
18 access to the money, assets, and property of the cus-
19 tomer.

20 “(2) QUALIFIED DIGITAL ASSET CUSTODIAN
21 REQUIRED.—A digital asset broker or digital asset
22 dealer shall hold customer restricted digital assets
23 described in paragraph (1) with a qualified digital
24 asset custodian described under section 6B.

25 “(3) RULEMAKING.—Not later than 180 days
26 after the date of enactment of this section, the Com-

1 mission shall issue rules to provide that a registered
2 digital asset broker or digital asset dealer will be
3 considered to satisfy the requirements of paragraph
4 (1), with respect to digital assets, so long as the dig-
5 ital asset broker or digital asset dealer—

6 “(A) holds such digital asset at a bank
7 that—

8 “(i) is recognized by the appropriate
9 Federal banking agency or State bank su-
10 pervisor (as such terms are defined, re-
11 spectively, in section 3 of the Federal De-
12 posit Insurance Act (12 U.S.C. 1813)) as
13 having custody over such assets;

14 “(ii) delivers the digital asset to the
15 digital asset broker or digital asset dealer
16 without requiring the payment of money or
17 value; and

18 “(iii) has acknowledged in writing
19 that the digital asset in the custody or con-
20 trol of the bank is free of charge, lien, or
21 claim of any kind in favor of such bank or
22 any person claiming through the bank;

23 “(B) establishes, maintains, and enforces
24 written policies, procedures, and controls rea-

1 sonably designed to demonstrate that the digital
2 asset broker or digital asset dealer—

3 “(i) has control over the digital asset
4 that the digital asset broker or digital
5 asset dealer holds in custody to protect
6 against the theft, loss, or unauthorized use
7 of the private keys necessary to access and
8 transfer such digital asset;

9 “(ii) has identified the steps that will
10 be taken in the wake of certain events that
11 could affect the custody of the digital as-
12 sets by the digital asset broker or digital
13 asset dealer;

14 “(iii) can comply with a court-ordered
15 freeze or seizure; and

16 “(iv) has established arrangements to
17 allow for the transfer of the restricted dig-
18 ital asset held by such digital asset broker
19 or digital asset dealer to another digital
20 asset broker or digital asset dealer, a
21 trustee, receiver, liquidator, or person per-
22 forming a similar function, or to another
23 appropriate person, in the event such dig-
24 ital asset broker or digital asset dealer can
25 no longer continue as a going concern and

1 self-liquidates or is subject to a formal
2 bankruptcy, receivership, liquidation, or
3 similar proceeding; or

4 “(C) complies with such other require-
5 ments as the Commission may permit.

6 “(4) SEGREGATION OF FUNDS.—

7 “(A) IN GENERAL.—A digital asset broker
8 or digital asset dealer shall treat and deal with
9 all money, assets, and property held for a cus-
10 tomer of the digital asset broker or digital asset
11 dealer, or that accrues to a customer as a result
12 of trading in restricted digital assets, as belong-
13 ing to the customer.

14 “(B) COMMINGLING PROHIBITED.—Money,
15 assets, and property of a customer described in
16 subparagraph (A) shall be separately accounted
17 for and shall not be commingled with the funds
18 of the digital asset broker or digital asset dealer
19 or be used to margin, secure, or guarantee any
20 trades of any person other than the customer of
21 the digital asset broker or digital asset dealer
22 for whom the same are held.

23 “(5) EXCEPTIONS.—

24 “(A) USE OF FUNDS.—

1 “(i) IN GENERAL.—Notwithstanding
2 paragraph (4), money, assets, and property
3 of customers of a digital asset broker or
4 digital asset dealer described in paragraph
5 (4) may be maintained and deposited in
6 the same account or accounts with any
7 bank, trust company, or qualified digital
8 asset custodian described under section
9 6B, if the money, assets, and property re-
10 main segregated from the money, assets,
11 and property of the digital asset broker or
12 digital asset dealer.

13 “(ii) WITHDRAWAL.—Notwithstanding
14 paragraph (4), such share of the money,
15 assets, and property described in para-
16 graph (4) as in the normal course of busi-
17 ness shall be necessary to transfer, adjust,
18 or settle a restricted digital asset trans-
19 action pursuant to a customer’s instruction
20 (standing or otherwise) may be withdrawn
21 and applied to such purposes, including the
22 withdrawal and payment of commissions,
23 brokerage, interest, taxes, storage, and
24 other charges lawfully accruing in connec-

1 tion with a restricted digital asset trans-
2 action.

3 “(iii) COMMISSION ACTION.—In ac-
4 cordance with such terms and conditions
5 as the Commission may prescribe by rule,
6 regulation, or order, any money, assets, or
7 property of a customer of a digital asset
8 broker or digital asset dealer described in
9 paragraph (4) may be commingled and de-
10 posited as provided in this section with any
11 other money, assets, or property received
12 by the digital asset broker or digital asset
13 dealer and required by the Commission to
14 be separately accounted for and treated
15 and dealt with as belonging to the cus-
16 tomer of the digital asset broker or digital
17 asset dealer.

18 “(B) PARTICIPATION IN BLOCKCHAIN
19 SERVICES.—

20 “(i) IN GENERAL.—A customer shall
21 have the right to waive the restrictions in
22 paragraph (4) for any unit of a digital
23 asset to be used under clause (ii), by af-
24 firmatively electing, in writing to the dig-

1 ital asset broker or digital asset dealer, to
2 waive the restrictions.

3 “(ii) USE OF FUNDS.—Customer dig-
4 ital assets removed from segregation under
5 clause (i) may be pooled and used by the
6 digital asset broker or digital asset dealer
7 or its designee to provide a blockchain
8 service for a blockchain system to which
9 the unit of the digital asset removed from
10 segregation under clause (i) relates.

11 “(iii) LIMITATIONS.—The Commission
12 may, by rule, establish notice and disclo-
13 sure requirements, and any other limita-
14 tions and rules related to the waiving of
15 any restrictions under this subparagraph
16 that are reasonably necessary to protect
17 customers.

18 “(iv) BLOCKCHAIN SERVICE DE-
19 FINED.—In this subparagraph, the term
20 ‘blockchain service’ means any activity re-
21 lating to validating transactions on a
22 blockchain system, providing security for a
23 blockchain system, or other similar activity
24 required for the ongoing operation of a
25 blockchain system.

1 “(6) FURTHER LIMITATIONS.—No person shall
2 treat or deal with a restricted digital asset held on
3 behalf of any customer pursuant to paragraph (4) by
4 utilizing any unit of such restricted digital asset to
5 participate in a blockchain service (as defined in
6 paragraph (5)(B)(iv)) or a decentralized governance
7 system associated with the restricted digital asset or
8 the blockchain system to which the restricted digital
9 asset relates in any manner other than that which
10 is expressly directed by the customer from which
11 such unit of a restricted digital asset was received.

12 “(f) CAPITAL REQUIREMENTS.—

13 “(1) IN GENERAL.—Each registered digital
14 asset broker and registered digital asset dealer shall
15 meet such minimum capital requirements as the
16 Commission may prescribe to ensure that the digital
17 asset broker or digital asset dealer is able to—

18 “(A) conduct an orderly wind-down of the
19 activities of the digital asset broker or digital
20 asset dealer; and

21 “(B) fulfill the customer obligations of the
22 digital asset broker or digital asset dealer.

23 “(2) CALCULATION.—For purposes of any
24 Commission rule or order adopted under this section
25 or any interpretation thereof regulating a digital

1 asset broker or digital asset dealer’s financial re-
2 sponsibility obligations and capital requirements, a
3 registered digital asset broker or digital asset dealer
4 that maintains control of customer digital assets in
5 a manner that satisfies the rules issued by the Com-
6 mission under subsection (e)(2) shall not be required
7 to include the value of such digital assets as assets
8 or liabilities of the digital asset broker or digital
9 asset dealer.

10 “(3) COORDINATION OF CAPITAL REQUIRE-
11 MENTS.—

12 “(A) COMMISSION RULE.—The Commis-
13 sion shall, by rule, provide appropriate offsets
14 to any applicable capital requirement for a per-
15 son with multiple registrations, including as a
16 broker, dealer, digital asset broker, or digital
17 asset dealer.

18 “(B) JOINT RULE.—The Commission and
19 the Commodity Futures Trading Commission
20 shall jointly, by rule, provide appropriate offsets
21 to any applicable capital requirement for a per-
22 son with multiple registrations, including as a
23 digital asset broker, digital asset dealer, digital
24 asset trading system, digital commodity broker,

1 digital commodity dealer, or digital commodity
2 exchange.

3 “(g) REPORTING AND RECORDKEEPING.—Each reg-
4 istered digital asset broker and digital asset dealer—

5 “(1) shall make such reports as are required by
6 the Commission by rule or regulation regarding the
7 transactions, positions, and financial condition of the
8 digital asset broker or digital asset dealer.

9 “(2) shall keep books and records in such form
10 and manner and for such period as may be pre-
11 scribed by the Commission by rule or regulation; and

12 “(3) shall keep the books and records open to
13 inspection and examination by any representative of
14 the Commission.

15 “(h) TREATMENT UNDER THE BANK SECRECY
16 ACT.—A digital asset broker and a digital asset dealer
17 shall be treated as a financial institution for purposes of
18 the Bank Secrecy Act.”.

19 **SEC. 307. RULES RELATED TO CONFLICTS OF INTEREST.**

20 The Securities Exchange Act of 1934 (15 U.S.C. 78a
21 et seq.) is amended by inserting after section 10D the fol-
22 lowing:

1 **“SEC. 10E. CONFLICTS OF INTEREST RELATED TO DIGITAL**
2 **ASSETS.**

3 “Each registered digital asset trading system, reg-
4 istered digital asset broker, registered digital asset dealer,
5 and notice-registered digital asset clearing agency shall es-
6 tablish, maintain, and enforce written policies and proce-
7 dures reasonably designed, taking into consideration the
8 nature of such person’s business, to mitigate any conflicts
9 of interest and transactions or arrangements with affili-
10 ates.”.

11 **SEC. 308. TREATMENT OF CERTAIN DIGITAL ASSETS IN**
12 **CONNECTION WITH FEDERALLY REGULATED**
13 **INTERMEDIARIES.**

14 Section 18(b) of the Securities Act of 1933 (15
15 U.S.C. 77r(b)) is amended by adding at the end the fol-
16 lowing:

17 “(5) EXEMPTION FOR CERTAIN DIGITAL ASSETS
18 IN CONNECTION WITH FEDERALLY REGULATED
19 INTERMEDIARIES.—A restricted digital asset is a
20 covered security with respect to a transaction that is
21 exempt from registration under this Act when—

22 “(A) it is brokered, traded, custodied, or
23 cleared by a digital asset broker or digital asset
24 dealer registered under section 15H of the Se-
25 curities Exchange Act of 1934; or

1 “(B) traded through a digital asset trading
2 system.”.

3 **SEC. 309. EXCLUSION FOR ANCILLARY ACTIVITIES.**

4 The Securities Exchange Act of 1934 (15 U.S.C. 78a
5 et seq.), as amended by section 205, is further amended
6 by inserting after section 15H the following:

7 **“SEC. 15I. EXCLUSION FOR ANCILLARY ACTIVITIES.**

8 “(a) IN GENERAL.—Notwithstanding any other pro-
9 vision of this Act, a person shall not be subject to this
10 Act and the regulations thereunder solely based on the
11 person undertaking any ancillary activities.

12 “(b) EXCEPTIONS.—Subsection (a) shall not be con-
13 strued to apply to the anti-fraud and anti-manipulation
14 authorities of the Commission.

15 “(c) ANCILLARY ACTIVITIES DEFINED.—In this sec-
16 tion, the term ‘ancillary activities’ means any of the fol-
17 lowing activities related to the operation of a blockchain
18 system:

19 “(1) Compiling network transactions, operating
20 or participating in a liquidity pool, relaying, search-
21 ing, sequencing, validating, or acting in a similar ca-
22 pacity with respect to a digital asset.

23 “(2) Providing computational work, operating a
24 node, or procuring, offering, or utilizing network

1 bandwidth, or other similar incidental services with
2 respect to a digital asset.

3 “(3) Providing a user-interface that enables a
4 user to read and access data about a blockchain sys-
5 tem, send messages, or otherwise interact with a
6 blockchain system.

7 “(4) Developing, publishing, constituting, ad-
8 ministering, maintaining, or otherwise distributing a
9 blockchain system.

10 “(5) Developing, publishing, constituting, ad-
11 ministering, maintaining, or otherwise distributing
12 software or systems that create or deploy a hard-
13 ware or software wallet or other system facilitating
14 an individual user’s own personal ability to keep,
15 safeguard, or custody the user’s digital assets or re-
16 lated private keys.”.

17 **SEC. 310. REGISTRATION AND REQUIREMENTS FOR NO-**
18 **TICE-REGISTERED DIGITAL ASSET CLEARING**
19 **AGENCIES.**

20 Section 17A(b) of the Securities Exchange Act of
21 1934 (15 U.S.C. 78q-1(b)) is amended—

22 (1) in subsection (1), by inserting “(other than
23 a notice-registered digital asset clearing agency)”
24 after “unlawful for any clearing agency”; and

25 (2) by adding at the end, the following:

1 “(9) REGISTRATION AND REQUIREMENTS FOR
2 NOTICE-REGISTERED DIGITAL ASSET CLEARING
3 AGENCY.—

4 “(A) ELIGIBILITY.—A person may register
5 with the Commission as a notice-registered dig-
6 ital asset clearing agency if the person—

7 “(i) is otherwise registered as a digital
8 asset broker or digital asset dealer with the
9 Commission and is engaging in a business
10 involving restricted digital assets, in com-
11 pliance with Commission rules pursuant to
12 section 15H(e); or

13 “(ii) is a bank engaging in a business
14 involving digital assets, in compliance with
15 applicable banking law and regulation re-
16 lating to the custody and safekeeping of
17 such assets

18 “(B) REGISTRATION.—A person may reg-
19 ister with the Commission as a notice-registered
20 digital asset clearing agency by providing the
21 Commission with notice of the activities of the
22 person or planned activities in such form as the
23 Commission determines appropriate. Such no-
24 tice shall include information describing the

1 person's policies and procedures relating to the
2 holding of customer assets.

3 “(C) RULEMAKING.—The Commission may
4 adopt rules, which may not take effect until at
5 least 360 days following the date of enactment
6 of this paragraph, with regard to the activities
7 of notice-registered digital asset clearing agen-
8 cies, taking into account the nature of re-
9 stricted digital assets.”.

10 **SEC. 311. TREATMENT OF CUSTODY ACTIVITIES BY BANK-**
11 **ING INSTITUTIONS.**

12 (a) TREATMENT OF CUSTODY ACTIVITIES.—The ap-
13 propriate Federal banking agency (as defined under sec-
14 tion 3 of the Federal Deposit Insurance Act (12 U.S.C.
15 1813)), the National Credit Union Administration (in the
16 case of a credit union), and the Securities and Exchange
17 Commission may not require, or take supervisory action
18 that would cause, a depository institution, national bank,
19 Federal credit union, State credit union, or trust company,
20 or any affiliate (as such term is defined under section 2
21 of the Bank Holding Company Act of 1956) thereof—

22 (1) to include assets held in custody or safe-
23 keeping, or the assets associated with a cryp-
24 tographic key held in custody or safekeeping, as a li-
25 ability on such institution's financial statement or

1 balance sheet, except that cash held for a third party
2 by such institution that is commingled with the gen-
3 eral assets of such institution may be reflected as a
4 liability on a financial statement or balance sheet;

5 (2) to hold additional regulatory capital against
6 assets in custody or safekeeping, or the assets asso-
7 ciated with a cryptographic key held in custody or
8 safekeeping, except as necessary to mitigate against
9 operational risks inherent with the custody or safe-
10 keeping services, as determined by—

11 (A) the appropriate Federal banking agen-
12 cy;

13 (B) the National Credit Union Administra-
14 tion (in the case of a credit union);

15 (C) a State bank supervisor (as defined
16 under section 3 of the Federal Deposit Insur-
17 ance Act (12 U.S.C. 1813)); or

18 (D) a State credit union supervisor (as de-
19 fined under section 6003 of the Anti-Money
20 Laundering Act of 2020);

21 (3) to recognize a liability for any obligations
22 related to activities or services performed for digital
23 assets with respect to which such institution does
24 not have beneficial ownership if that liability would

1 exceed the expense recognized in the income state-
2 ment as a result of the corresponding obligation.

3 (b) DEFINITIONS.—In this section:

4 (1) DEPOSITORY INSTITUTION.—The terms
5 “depository institution” has the meaning given that
6 term under section 3 of the Federal Deposit Insur-
7 ance Act.

8 (2) CREDIT UNION TERMS.—The terms “Fed-
9 eral credit union” and “State credit union” have the
10 meaning given those terms, respectively, under sec-
11 tion 101 of the Federal Credit Union Act.

12 **SEC. 312. EFFECTIVE DATE; ADMINISTRATION.**

13 (a) IN GENERAL.—Except as otherwise provided
14 under this title, this title and the amendments made by
15 this title shall take effect 360 days after the date of enact-
16 ment of this Act, except that, to the extent a provision
17 of this title requires a rulemaking, the provision shall take
18 effect on the later of—

19 (1) 360 days after the date of enactment of this
20 Act; or

21 (2) 60 days after the publication in the Federal
22 Register of the final rule implementing the provision.

23 (b) LIMITATION.—During fiscal years 2024, 2025,
24 and 2026, registration fees collected by the Securities and

1 Exchange Commission shall not be deposited in the Secu-
2 rities and Exchange Commission Reserve Fund.

3 **TITLE IV—REGISTRATION FOR**
4 **DIGITAL ASSET INTER-**
5 **MEDIARIES AT THE COM-**
6 **MODITY FUTURES TRADING**
7 **COMMISSION**

8 **SEC. 401. COMMISSION JURISDICTION OVER DIGITAL COM-**
9 **MODITY TRANSACTIONS.**

10 (a) IN GENERAL.—Section 2(a)(1) of the Commodity
11 Exchange Act (7 U.S.C. 2(a)(1)) is amended by adding
12 at the end the following:

13 “(J) Except as expressly provided in this
14 Act, nothing in the Financial Innovation and
15 Technology for the 21st Century Act shall af-
16 fect or apply to, or be interpreted to affect or
17 apply to—

18 “(i) any agreement, contract, or
19 transaction that is subject to this Act as—

20 “(I) a contract of sale of a com-
21 modity for future delivery or an op-
22 tion on such a contract;

23 “(II) a swap;

24 “(III) a security futures product;

1 “(IV) an option authorized under
2 section 4e of this Act;

3 “(V) an agreement, contract, or
4 transaction described in subparagraph
5 (C)(i) or (D)(i) of subsection (c)(2) of
6 this section; or

7 “(VI) a leverage transaction au-
8 thorized under section 19 of this Act;
9 or

10 “(ii) the activities of any person with
11 respect to any such an agreement, con-
12 tract, or transaction.”.

13 (b) IN GENERAL.—Section 2(c)(1) of the Commodity
14 Exchange Act (7 U.S.C. 2(c)(1)) is amended—

15 (1) in subparagraph (F), by striking “or” at
16 the end;

17 (2) in subparagraph (G), by striking the period
18 and inserting “; or”; and

19 (3) by adding at the end the following:

20 “(H) permitted payment stablecoins.”.

21 (c) IN GENERAL.—Section 2(c)(2) of the Commodity
22 Exchange Act (7 U.S.C. 2(c)(2)) is amended—

23 (1) in subparagraph (D)(ii)—

24 (A) in subclause (III), in the matter that
25 precedes item (aa), by inserting “of a com-

1 modity, other than a digital commodity,” before
2 “that”; and

3 (B) by redesignating subclauses (IV) and
4 (V) as subclauses (V) and (VI) and inserting
5 after subclause (III) the following:

6 “(IV) a contract of sale of a dig-
7 ital commodity that—

8 “(aa) results in actual deliv-
9 ery, as the Commission shall by
10 rule determine, within 2 days or
11 such other period as the Commis-
12 sion may determine by rule or
13 regulation based upon the typical
14 commercial practice in cash or
15 spot markets for the digital com-
16 modity involved; or

17 “(bb) is executed with a reg-
18 istered digital commodity deal-
19 er—

20 “(AA) directly;

21 “(BB) through a reg-
22 istered digital commodity
23 broker; or

24 “(CC) on or subject to
25 the rules of a registered dig-

1 ital commodity exchange;”;

2 and

3 (2) by adding at the end the following:

4 “(F) COMMISSION JURISDICTION WITH RESPECT TO
5 DIGITAL COMMODITY TRANSACTIONS.—

6 “(i) IN GENERAL.—Subject to sections 6d and
7 12(e), the Commission shall have exclusive jurisdic-
8 tion with respect to any account, agreement, con-
9 tract, or transaction involving a contract of sale of
10 a digital commodity in interstate commerce, includ-
11 ing in a digital commodity cash or spot market, that
12 is offered, solicited, traded, facilitated, executed,
13 cleared, reported, or otherwise dealt in—

14 “(I) on or subject to the rules of a reg-
15 istered entity or an entity that is required to be
16 registered as a registered entity; or

17 “(II) by any other entity registered, or re-
18 quired to be registered, with the Commission.

19 “(ii) LIMITATIONS.—Clause (i) shall not apply
20 with respect to custodial or depository activities for
21 a digital commodity, or custodial or depository ac-
22 tivities for any promise or right to a future digital
23 commodity, of an entity regulated by an appropriate
24 Federal banking agency or a State bank supervisor

1 (within the meaning of section 3 of the Federal De-
2 posit Insurance Act).

3 “(iii) MIXED DIGITAL ASSET TRANSACTIONS.—

4 “(I) IN GENERAL.—Clause (i) shall not
5 apply to a mixed digital asset transaction.

6 “(II) OVERSIGHT OF MIXED DIGITAL
7 ASSET TRANSACTIONS.—A mixed digital asset
8 transaction shall be subject to the exclusive ju-
9 risdiction of the Securities and Exchange Com-
10 mission.

11 “(III) REPORTS ON MIXED DIGITAL ASSET
12 TRANSACTIONS.—A digital asset issuer, related
13 person, affiliated person, or other person reg-
14 istered with the Securities and Exchange Com-
15 mission that engages in a mixed digital asset
16 transaction, shall, on request, open to inspec-
17 tion and examination by the Commodity Fu-
18 tures Trading Commission all books and
19 records relating to the mixed digital asset
20 transaction, subject to the confidentiality and
21 disclosure requirements of section 8.

22 “(G) AGREEMENTS, CONTRACTS, AND TRANS-
23 ACTIONS IN STABLECOINS.—

24 “(i) TREATMENT OF PERMITTED PAYMENT
25 STABLECOINS ON COMMISSION-REGISTERED ENTI-

1 TIES.—Subject to clauses (ii) and (iii), the Commis-
2 sion shall have jurisdiction over a cash or spot
3 agreement, contract, or transaction in a permitted
4 payment stablecoin that is offered, offered to enter
5 into, entered into, executed, confirmed the execution
6 of, solicited, or accepted—

7 “(I) on or subject to the rules of a reg-
8 istered entity; or

9 “(II) by any other entity registered with
10 the Commission.

11 “(ii) PERMITTED PAYMENT STABLECOIN
12 TRANSACTION RULES.—This Act shall apply to a
13 transaction described in clause (i) only for the pur-
14 pose of regulating the offer, execution, solicitation,
15 or acceptance of a cash or spot permitted payment
16 stablecoin transaction on a registered entity or by
17 any other entity registered with the Commission, as
18 if the permitted payment stablecoin were a digital
19 commodity.

20 “(iii) NO AUTHORITY OVER PERMITTED PAY-
21 MENT STABLECOINS.—Notwithstanding clause (ii),
22 the Commission shall not make a rule or regulation,
23 impose a requirement or obligation on a registered
24 entity or other entity registered with the Commis-
25 sion, or impose a requirement or obligation on a per-

1 mitted payment stablecoin issuer, regarding the op-
2 eration of a permitted payment stablecoin issuer or
3 a permitted payment stablecoin, including any aspect
4 of such an operation or such a stablecoin.”.

5 (d) CONFORMING AMENDMENT.—Section 2(a)(1)(A)
6 of such Act (7 U.S.C. 2(a)(1)(A)) is amended in the 1st
7 sentence by inserting “subparagraphs (F) and (G) of sub-
8 section (c)(2) of this section or” before “section 19”.

9 **SEC. 402. REQUIRING FUTURES COMMISSION MERCHANTS**
10 **TO USE QUALIFIED DIGITAL COMMODITY**
11 **CUSTODIANS.**

12 Section 4d of the Commodity Exchange Act (7 U.S.C.
13 6d) is amended—

14 (1) in subsection (a)(2)—

15 (A) in the 1st proviso, by striking “any
16 bank or trust company” and inserting “any
17 bank, trust company, or qualified digital com-
18 modity custodian”; and

19 (B) by inserting “: *Provided further*, That
20 any such property that is a digital commodity
21 shall be held in a qualified digital commodity
22 custodian” before the period at the end; and

23 (2) in subsection (f)(3)(A)(i), by striking “any
24 bank or trust company” and inserting “any bank,

1 trust company, or qualified digital commodity custo-
2 dian”.

3 **SEC. 403. TRADING CERTIFICATION AND APPROVAL FOR**
4 **DIGITAL COMMODITIES.**

5 Section 5c of the Commodity Exchange Act (7 U.S.C.
6 7a–2) is amended—

7 (1) in subsection (a), by striking “5(d) and
8 5b(c)(2)” and inserting “5(d), 5b(c)(2), and 5i(e)”;
9 (2) in subsection (b)—

10 (A) in each of paragraphs (1) and (2), by
11 inserting “digital commodity exchange,” before
12 “derivatives”; and

13 (B) in paragraph (3), by inserting “digital
14 commodity exchange,” before “derivatives” each
15 place it appears;

16 (3) in subsection (c)—

17 (A) in paragraph (2), by inserting “or par-
18 ticipants” before “(in”;

19 (B) in paragraph (4)(B), by striking
20 “1a(10)” and inserting “1a(9)”;

21 (C) in paragraph (5), by adding at the end
22 the following:

23 “(D) SPECIAL RULES FOR DIGITAL COM-
24 MODITY CONTRACTS.—In certifying any new
25 rule or rule amendment, or listing any new con-

1 tract or instrument, in connection with a con-
2 tract of sale of a commodity for future delivery,
3 option, swap, or other agreement, contract, or
4 transaction, that is based on or references a
5 digital commodity, a registered entity shall
6 make or rely on a certification under subsection
7 (d) for the digital commodity.”; and

8 (4) by inserting after subsection (c) the fol-
9 lowing:

10 “(d) CERTIFICATIONS FOR DIGITAL COMMODITY
11 TRADING.—

12 “(1) IN GENERAL.—Notwithstanding subsection
13 (c), for the purposes of listing or offering a digital
14 commodity for trading in a digital commodity cash
15 or spot market, an eligible entity shall issue a writ-
16 ten certification that the digital commodity meets
17 the requirements of this Act (including regulations
18 thereunder).

19 “(2) CONTENTS OF THE CERTIFICATION.—

20 “(A) IN GENERAL.—In making a written
21 certification under this paragraph, the eligible
22 entity shall furnish to the Commission—

23 “(i) an analysis of how the digital
24 commodity meets the requirements of sec-
25 tion 5i(c)(3);

1 “(ii) information about the digital
2 commodity regarding—

3 “(I) its purpose and use;

4 “(II) its unit creation or release
5 process;

6 “(III) its consensus mechanism;

7 “(IV) its governance structure;

8 “(V) its participation and dis-
9 tribution; and

10 “(VI) its current and proposed
11 functionality; and

12 “(iii) any other information, analysis,
13 or documentation the Commission may, by
14 rule, require.

15 “(B) RELIANCE ON PRIOR DISCLO-
16 SURES.—In making a certification under this
17 subsection, an eligible entity may rely on the
18 records and disclosures of any relevant person
19 registered with the Securities and Exchange
20 Commission or other State or Federal agency.

21 “(3) MODIFICATIONS.—

22 “(A) IN GENERAL.—An eligible entity shall
23 modify a certification made under paragraph
24 (1) to—

1 “(i) account for significant changes in
2 any information provided to the Commis-
3 sion under paragraph (2)(A)(ii); or

4 “(ii) permit or restrict trading in
5 units of a digital commodity asset held by
6 a related person or an affiliated person.

7 “(B) RECERTIFICATION.—Modifications
8 required by this subsection shall be subject to
9 the same disapproval and review process as a
10 new certification under paragraphs (4) and (5).

11 “(4) DISAPPROVAL.—

12 “(A) IN GENERAL.—The written certifi-
13 cation described in paragraph (1) shall become
14 effective unless the Commission finds that the
15 digital asset does not meet the requirements of
16 this Act or the rules and regulations there-
17 under.

18 “(B) ANALYSIS REQUIRED.—The Commis-
19 sion shall include, with any findings referred to
20 in subparagraph (A), a detailed analysis of the
21 factors on which the decision was based.

22 “(C) PUBLIC FINDINGS.—The Commission
23 shall make public any disapproval decision, and
24 any related findings and analysis, made under
25 this paragraph.

1 “(5) REVIEW.—

2 “(A) IN GENERAL.—Unless the Commis-
3 sion makes a disapproval decision under para-
4 graph (4), the written certification described in
5 paragraph (1) shall become effective, pursuant
6 to the certification by the eligible entity and no-
7 tice of the certification to the public (in a man-
8 ner determined by the Commission) on the date
9 that is—

10 “(i) 20 business days after the date
11 the Commission receives the certification
12 (or such shorter period as determined by
13 the Commission by rule or regulation), in
14 the case of a digital commodity that has
15 not been certified under this section or for
16 which a certification is being modified
17 under paragraph (3); or

18 “(ii) 2 business days after the date
19 the Commission receives the certification
20 (or such shorter period as determined by
21 the Commission by rule or regulation) for
22 any digital commodity that has been cer-
23 tified under this section.

24 “(B) EXTENSIONS.—The time for consid-
25 eration under subparagraph (A) may be ex-

1 tended through notice to the eligible entity that
2 there are novel or complex issues that require
3 additional time to analyze, that the explanation
4 by the submitting eligible entity is inadequate,
5 or of a potential inconsistency with this Act—

6 “(i) once, for 30 business days,
7 through written notice to the eligible entity
8 by the Chairman; and

9 “(ii) once, for an additional 30 busi-
10 ness days, through written notice to the
11 digital commodity exchange from the Com-
12 mission that includes a description of any
13 deficiencies with the certification, including
14 any—

15 “(I) novel or complex issues
16 which require additional time to ana-
17 lyze;

18 “(II) missing information or in-
19 adequate explanations; or

20 “(III) potential inconsistencies
21 with this Act.

22 “(6) CERTIFICATION REQUIRED.—Notwith-
23 standing any other provision of this Act, a registered
24 entity or other entity registered with the Commis-
25 sion shall not list for trading, accept for clearing,

1 offer to enter into, enter into, execute, confirm the
2 execution of, or conduct any office or business any-
3 where in the United States, its territories or posses-
4 sions, for the purpose of soliciting, or accepting any
5 order for, or otherwise dealing in, any transaction
6 in, or in connection with, a digital commodity, unless
7 a certification has been made under this section for
8 the digital commodity.

9 “(7) ELIGIBLE ENTITY DEFINED.—In this sub-
10 section, the term ‘eligible entity’ means a registered
11 entity or group of registered entities acting jointly.”.

12 **SEC. 404. REGISTRATION OF DIGITAL COMMODITY EX-**
13 **CHANGES.**

14 The Commodity Exchange Act (7 U.S.C. 1 et seq.)
15 is amended by inserting after section 5h the following:

16 **“SEC. 5i. REGISTRATION OF DIGITAL COMMODITY EX-**
17 **CHANGES.**

18 “(a) IN GENERAL.—

19 “(1) REGISTRATION.—

20 “(A) IN GENERAL.—A trading facility that
21 offers or seeks to offer a cash or spot market
22 in at least 1 digital commodity shall register
23 with the Commission as a digital commodity ex-
24 change.

1 “(B) APPLICATION.—A person desiring to
2 register as a digital commodity exchange shall
3 submit to the Commission an application in
4 such form and containing such information as
5 the Commission may require for the purpose of
6 making the determinations required for ap-
7 proval.

8 “(C) EXEMPTIONS.—A trading facility
9 that offers or seeks to offer a cash or spot mar-
10 ket in at least 1 digital commodity shall not be
11 required to register under this section if the
12 trading facility—

13 “(i) permits no more than a de mini-
14 mis amount of trading activity; or

15 “(ii) serves only customers in a single
16 State or territory.

17 “(2) ADDITIONAL REGISTRATIONS.—

18 “(A) WITH THE COMMISSION.—

19 “(i) IN GENERAL.—A registered dig-
20 ital commodity exchange may also register
21 as—

22 “(I) a designated contract mar-
23 ket; or

24 “(II) a swap execution facility.

1 “(ii) RULES.—For an entity with
2 multiple registrations under clause (i), the
3 Commission—

4 “(I) shall prescribe rules to ex-
5 empt the entity from duplicative, con-
6 flicting, or unduly burdensome provi-
7 sions of this Act and the rules under
8 this Act, to the extent such an exemp-
9 tion would foster the development of
10 fair and orderly cash or spot markets
11 in digital commodities, be necessary or
12 appropriate in the public interest, and
13 be consistent with the protection of
14 customers; and

15 “(II) may, after an analysis of
16 the risks and benefits, prescribe rules
17 to provide for portfolio margining, as
18 may be necessary to protect market
19 participants, promote fair and equi-
20 table trading in digital commodity
21 markets, and promote responsible eco-
22 nomic or financial innovation.

23 “(B) WITH THE SECURITIES AND EX-
24 CHANGE COMMISSION.—A registered digital
25 commodity exchange may register with the Se-

1 securities and Exchange Commission as a digital
2 asset trading system to list or trade contracts
3 of sale for digital assets deemed securities.

4 “(C) WITH A REGISTERED FUTURES ASSO-
5 CIATION.—

6 “(i) IN GENERAL.—A registered dig-
7 ital commodity exchange shall also be a
8 member of a registered futures association
9 and comply with rules related to such ac-
10 tivity, if the registered digital commodity
11 exchange accepts customer funds required
12 to be segregated under subsection (d).

13 “(ii) RULEMAKING REQUIRED.—The
14 Commission shall require any registered
15 futures association with a digital com-
16modity exchange as a member to provide
17 such rules as may be necessary to further
18 compliance with subsection (d), protect
19 customers, and promote the public interest.

20 “(D) REGISTRATION REQUIRED.—A per-
21 son required to be registered as a digital com-
22modity exchange under this section shall reg-
23 ister with the Commission as such regardless of
24 whether the person is registered with another
25 State or Federal regulator.

1 “(b) TRADING.—

2 “(1) PROHIBITION ON CERTAIN TRADING PRAC-
3 TICES.—

4 “(A) Section 4b shall apply to any agree-
5 ment, contract, or transaction in a digital com-
6 modity as if the agreement, contract, or trans-
7 action were a contract of sale of a commodity
8 for future delivery.

9 “(B) Section 4c shall apply to any agree-
10 ment, contract, or transaction in a digital com-
11 modity as if the agreement, contract, or trans-
12 action were a transaction involving the purchase
13 or sale of a commodity for future delivery.

14 “(2) PROHIBITION ON ACTING AS A
15 COUNTERPARTY.—

16 “(A) IN GENERAL.—A digital commodity
17 exchange or any affiliate of such an exchange
18 shall not trade on or subject to the rules of the
19 digital commodity exchange for its own account.

20 “(B) EXCEPTIONS.—The Commission
21 shall, by rule, permit a digital commodity ex-
22 change or any affiliate of a digital commodity
23 exchange to engage in trading on an affiliated
24 exchange so long as the trading is not solely for

1 the purpose of the profit of the exchange, in-
2 cluding the following:

3 “(i) CUSTOMER DIRECTION.—A trans-
4 action for, or entered into at the direction
5 of, or for the benefit of, an unaffiliated
6 customer.

7 “(ii) RISK MANAGEMENT.—A trans-
8 action to manage the risks associated with
9 the digital commodity business of the ex-
10 change.

11 “(iii) FUNCTIONAL USE.—A trans-
12 action related to the functional operation
13 of a blockchain network.

14 “(C) NOTICE REQUIREMENT.—In order for
15 a digital commodity exchange or any affiliate of
16 a digital commodity exchange to engage in trad-
17 ing on the affiliated exchange pursuant to sub-
18 section (B), notice must be given to the Com-
19 mission that shall enumerate how any proposed
20 activity is consistent with the exceptions in sub-
21 section (B) and the principles of the Act.

22 “(D) DELEGATION.—The Commission
23 may, by rule, delegate authority to the Director
24 of the Division of Market Oversight, or such
25 other employee or employees as the Director of

1 the Division of Market Oversight may designate
2 from time to time, to carry out these provisions.

3 “(3) TRADING SECURITIES.—A registered dig-
4 ital commodity exchange that is also registered with
5 the Securities and Exchange Commission may offer
6 a contract of sale of a digital asset deemed a secu-
7 rity.

8 “(4) RULES FOR CERTAIN DIGITAL ASSET
9 SALES.—The digital commodity exchange shall have
10 in place such rules as may be necessary to reason-
11 ably ensure the orderly sale of any unit of a digital
12 commodity sold by a related person or an affiliated
13 person.

14 “(c) CORE PRINCIPLES FOR DIGITAL COMMODITY
15 EXCHANGES.—

16 “(1) COMPLIANCE WITH CORE PRINCIPLES.—

17 “(A) IN GENERAL.—To be registered, and
18 maintain registration, as a digital commodity
19 exchange, a digital commodity exchange shall
20 comply with—

21 “(i) the core principles described in
22 this subsection; and

23 “(ii) any requirement that the Com-
24 mission may impose by rule or regulation
25 pursuant to section 8a(5).

1 “(B) REASONABLE DISCRETION OF A DIG-
2 ITAL COMMODITY EXCHANGE.—Unless other-
3 wise determined by the Commission by rule or
4 regulation, a digital commodity exchange de-
5 scribed in subparagraph (A) shall have reason-
6 able discretion in establishing the manner in
7 which the digital commodity exchange complies
8 with the core principles described in this sub-
9 section.

10 “(2) COMPLIANCE WITH RULES.—A digital
11 commodity exchange shall—

12 “(A) establish and enforce compliance with
13 any rule of the digital commodity exchange, in-
14 cluding—

15 “(i) the terms and conditions of the
16 trades traded or processed on or through
17 the digital commodity exchange; and

18 “(ii) any limitation on access to the
19 digital commodity exchange;

20 “(B) establish and enforce trading, trade
21 processing, and participation rules that will
22 deter abuses and have the capacity to detect,
23 investigate, and enforce those rules, including
24 means—

1 “(i) to provide market participants
2 with impartial access to the market; and

3 “(ii) to capture information that may
4 be used in establishing whether rule viola-
5 tions have occurred; and

6 “(C) establish rules governing the oper-
7 ation of the exchange, including rules specifying
8 trading procedures to be used in entering and
9 executing orders traded or posted on the facil-
10 ity.

11 “(3) LISTING STANDARDS FOR DIGITAL COM-
12 MODITIES.—

13 “(A) IN GENERAL.—A digital commodity
14 exchange shall permit trading only in a digital
15 commodity that is not readily susceptible to ma-
16 nipulation.

17 “(B) PUBLIC INFORMATION REQUIRE-
18 MENTS.—

19 “(i) IN GENERAL.—A digital com-
20 modity exchange shall permit trading only
21 in a digital commodity if the information
22 required in clause (ii) is correct, current,
23 and available to the public.

24 “(ii) REQUIRED INFORMATION.—
25 With respect to a digital commodity and

1 each blockchain system to which the digital
2 commodity relates for which the digital
3 commodity exchange will make the digital
4 commodity available to the customers of
5 the digital commodity exchange, the infor-
6 mation required in this clause is as follows:

7 “(I) SOURCE CODE.—The source
8 code for any blockchain system to
9 which the digital commodity relates.

10 “(II) TRANSACTION HISTORY.—A
11 narrative description of the steps nec-
12 essary to independently access, search,
13 and verify the transaction history of
14 any blockchain system to which the
15 digital commodity relates.

16 “(III) DIGITAL ASSET ECONOM-
17 ICS.—A narrative description of the
18 purpose of any blockchain system to
19 which the digital asset relates and the
20 operation of any such blockchain sys-
21 tem, including—

22 “(aa) information explaining
23 the launch and supply process,
24 including the number of digital
25 assets to be issued in an initial

1 allocation, the total number of
2 digital assets to be created, the
3 release schedule for the digital
4 assets, and the total number of
5 digital assets then outstanding;

6 “(bb) information detailing
7 any applicable consensus mecha-
8 nism or process for validating
9 transactions, method of gener-
10 ating or mining digital assets,
11 and any process for burning or
12 destroying digital assets on the
13 blockchain system;

14 “(cc) an explanation of gov-
15 ernance mechanisms for imple-
16 menting changes to the
17 blockchain system or forming
18 consensus among holders of the
19 digital assets; and

20 “(dd) sufficient information
21 for a third party to create a tool
22 for verifying the transaction his-
23 tory of the digital asset.

24 “(IV) ADDITIONAL INFORMA-
25 TION.—Such additional information

1 as the Commission may, by rule, de-
2 termine to be necessary for a cus-
3 tomer to understand the financial and
4 operational risks of a digital com-
5 modity, and to be in the public inter-
6 est or in furtherance of the require-
7 ments of this Act.

8 “(C) ADDITIONAL LISTING CONSIDER-
9 ATIONS.—In addition to the requirements of
10 subparagraphs (A) and (B), a digital com-
11 modity exchange shall consider—

12 “(i) if a sufficient percentage of the
13 units of the digital asset are units of a dig-
14 ital commodity to permit robust price dis-
15 covery;

16 “(ii) if it is reasonably unlikely that
17 the transaction history can be fraudulently
18 altered by any person or group of persons
19 acting collectively;

20 “(iii) if the operating structure and
21 system of the digital commodity is secure
22 from cybersecurity threats;

23 “(iv) if the functionality of the digital
24 commodity will protect holders from oper-
25 ational failures;

1 “(v) if sufficient public information
2 about the operation, functionality, and use
3 of the digital commodity is available; and

4 “(vi) any other factor which the Com-
5 mission has, by rule, determined to be in
6 the public interest or in furtherance of the
7 requirements of this Act.

8 “(D) RESTRICTED DIGITAL ASSETS.—A
9 digital commodity exchange shall not permit the
10 trading of a unit of a digital asset that is a re-
11 stricted digital asset.

12 “(4) TREATMENT OF CUSTOMER ASSETS.—A
13 digital commodity exchange shall establish standards
14 and procedures that are designed to protect and en-
15 sure the safety of customer money, assets, and prop-
16 erty.

17 “(5) MONITORING OF TRADING AND TRADE
18 PROCESSING.—

19 “(A) IN GENERAL.—A digital commodity
20 exchange shall provide a competitive, open, and
21 efficient market and mechanism for executing
22 transactions that protects the price discovery
23 process of trading on the exchange.

1 “(B) PROTECTION OF MARKETS AND MAR-
2 KET PARTICIPANTS.—A digital commodity ex-
3 change shall establish and enforce rules—

4 “(i) to protect markets and market
5 participants from abusive practices com-
6 mitted by any party, including abusive
7 practices committed by a party acting as
8 an agent for a participant; and

9 “(ii) to promote fair and equitable
10 trading on the exchange.

11 “(C) TRADING PROCEDURES.—A digital
12 commodity exchange shall—

13 “(i) establish and enforce rules or
14 terms and conditions defining, or specifica-
15 tions detailing—

16 “(I) trading procedures to be
17 used in entering and executing orders
18 traded on or through the facilities of
19 the digital commodity exchange; and

20 “(II) procedures for trade proc-
21 essing of digital commodities on or
22 through the facilities of the digital
23 commodity exchange; and

24 “(ii) monitor trading in digital com-
25 modities to prevent manipulation, price

1 distortion, and disruptions of the delivery
2 or cash settlement process through surveil-
3 lance, compliance, and disciplinary prac-
4 tices and procedures, including methods
5 for conducting real-time monitoring of
6 trading and comprehensive and accurate
7 trade reconstructions.

8 “(6) ABILITY TO OBTAIN INFORMATION.—A
9 digital commodity exchange shall—

10 “(A) establish and enforce rules that will
11 allow the facility to obtain any necessary infor-
12 mation to perform any of the functions de-
13 scribed in this section;

14 “(B) provide the information to the Com-
15 mission on request; and

16 “(C) have the capacity to carry out such
17 international information-sharing agreements as
18 the Commission may require.

19 “(7) EMERGENCY AUTHORITY.—A digital com-
20 modity exchange shall adopt rules to provide for the
21 exercise of emergency authority, in consultation or
22 cooperation with the Commission or a registered en-
23 tity, as is necessary and appropriate, including the
24 authority to facilitate the liquidation or transfer of

1 open positions in any digital commodity or to sus-
2 pend or curtail trading in a digital commodity.

3 “(8) TIMELY PUBLICATION OF TRADING INFOR-
4 MATION.—

5 “(A) IN GENERAL.—A digital commodity
6 exchange shall make public timely information
7 on price, trading volume, and other trading
8 data on digital commodities to the extent pre-
9 scribed by the Commission.

10 “(B) CAPACITY OF DIGITAL COMMODITY
11 EXCHANGE.—A digital commodity exchange
12 shall have the capacity to electronically capture
13 and transmit trade information with respect to
14 transactions executed on the exchange.

15 “(9) RECORDKEEPING AND REPORTING.—

16 “(A) IN GENERAL.—A digital commodity
17 exchange shall—

18 “(i) maintain records of all activities
19 relating to the business of the facility, in-
20 cluding a complete audit trail, in a form
21 and manner acceptable to the Commission
22 for a period of 5 years;

23 “(ii) report to the Commission, in a
24 form and manner acceptable to the Com-
25 mission, such information as the Commis-

1 sion determines to be necessary or appro-
2 priate for the Commission to perform the
3 duties of the Commission under this Act;
4 and

5 “(iii) keep any such records of digital
6 commodities which relate to a security
7 open to inspection and examination by the
8 Securities and Exchange Commission.

9 “(B) INFORMATION-SHARING.—Subject to
10 section 8, and on request, the Commission shall
11 share information collected under subparagraph
12 (A) with—

13 “(i) the Board;

14 “(ii) the Securities and Exchange
15 Commission;

16 “(iii) each appropriate Federal bank-
17 ing agency;

18 “(iv) each appropriate State bank su-
19 pervisor (within the meaning of section 3
20 of the Federal Deposit Insurance Act);

21 “(v) the Financial Stability Oversight
22 Council;

23 “(vi) the Department of Justice; and

1 “(vii) any other person that the Com-
2 mission determines to be appropriate, in-
3 cluding—

4 “(I) foreign financial supervisors
5 (including foreign futures authorities);

6 “(II) foreign central banks; and

7 “(III) foreign ministries.

8 “(C) CONFIDENTIALITY AGREEMENT.—Be-
9 fore the Commission may share information
10 with any entity described in subparagraph (B),
11 the Commission shall receive a written agree-
12 ment from the entity stating that the entity
13 shall abide by the confidentiality requirements
14 described in section 8 relating to the informa-
15 tion on digital commodities that is provided.

16 “(D) PROVIDING INFORMATION.—A digital
17 commodity exchange shall provide to the Com-
18 mission (including any designee of the Commis-
19 sion) information under subparagraph (A) in
20 such form and at such frequency as is required
21 by the Commission.

22 “(10) ANTITRUST CONSIDERATIONS.—Unless
23 necessary or appropriate to achieve the purposes of
24 this Act, a digital commodity exchange shall not—

1 “(A) adopt any rules or take any actions
2 that result in any unreasonable restraint of
3 trade; or

4 “(B) impose any material anticompetitive
5 burden on trading.

6 “(11) CONFLICTS OF INTEREST.—A registered
7 digital commodity exchange shall implement conflict-
8 of-interest systems and procedures that—

9 “(A) establish structural and institutional
10 safeguards—

11 “(i) to minimize conflicts of interest
12 that might potentially bias the judgment or
13 supervision of the digital commodity ex-
14 change and contravene the principles of
15 fair and equitable trading and the business
16 conduct standards described in this Act,
17 including conflicts arising out of trans-
18 actions or arrangements with affiliates (in-
19 cluding affiliates engaging in digital com-
20 modity activities) which may include infor-
21 mation partitions and the legal separation
22 of different persons or entities involved in
23 digital commodity activities; and

24 “(ii) to ensure that the activities of
25 any person within the digital commodity

1 exchange or any affiliated entity relating to
2 research or analysis of the price or market
3 for any digital commodity or acting in a
4 role of providing dealing, brokering, or ad-
5 vising activities are separated by appro-
6 priate informational partitions within the
7 digital commodity exchange or any affili-
8 ated entity from the review, pressure, or
9 oversight of persons whose involvement in
10 pricing, trading, exchange, or clearing ac-
11 tivities might potentially bias their judg-
12 ment or supervision and contravene the
13 core principles of open access and the busi-
14 ness conduct standards described in this
15 Act; and

16 “(B) address such other issues as the
17 Commission determines to be appropriate.

18 “(12) FINANCIAL RESOURCES.—

19 “(A) IN GENERAL.—A digital commodity
20 exchange shall have adequate financial, oper-
21 ational, and managerial resources, as deter-
22 mined by the Commission, to discharge each re-
23 sponsibility of the digital commodity exchange.

24 “(B) MINIMUM AMOUNT OF FINANCIAL RE-
25 SOURCES.—A digital commodity exchange shall

1 possess financial resources that, at a minimum,
2 exceed the total amount that would enable the
3 digital commodity exchange to conduct an or-
4 derly wind-down of its activities.

5 “(13) DISCIPLINARY PROCEDURES.—A digital
6 commodity exchange shall establish and enforce dis-
7 ciplinary procedures that authorize the digital com-
8 modity exchange to discipline, suspend, or expel
9 members or market participants that violate the
10 rules of the digital commodity exchange, or similar
11 methods for performing the same functions, includ-
12 ing delegation of the functions to third parties.

13 “(14) GOVERNANCE FITNESS STANDARDS.—

14 “(A) GOVERNANCE ARRANGEMENTS.—A
15 digital commodity exchange shall establish gov-
16 ernance arrangements that are transparent to
17 fulfill public interest requirements.

18 “(B) FITNESS STANDARDS.—A digital
19 commodity exchange shall establish and enforce
20 appropriate fitness standards for—

21 “(i) directors; and

22 “(ii) any individual or entity with di-
23 rect access to, or control of, customer as-
24 sets.

1 “(15) SYSTEM SAFEGUARDS.—A digital com-
2 modity exchange shall—

3 “(A) establish and maintain a program of
4 risk analysis and oversight to identify and mini-
5 mize sources of operational and security risks,
6 through the development of appropriate controls
7 and procedures, and automated systems, that—

8 “(i) are reliable and secure; and

9 “(ii) have adequate scalable capacity;

10 “(B) establish and maintain emergency
11 procedures, backup facilities, and a plan for dis-
12 aster recovery that allow for—

13 “(i) the timely recovery and resump-
14 tion of operations; and

15 “(ii) the fulfillment of the responsibil-
16 ities and obligations of the digital com-
17 modity exchange; and

18 “(C) periodically conduct tests to verify
19 that the backup resources of the digital com-
20 modity exchange are sufficient to ensure contin-
21 ued—

22 “(i) order processing and trade
23 matching;

24 “(ii) price reporting;

25 “(iii) market surveillance; and

1 “(iv) maintenance of a comprehensive
2 and accurate audit trail.

3 “(d) HOLDING OF CUSTOMER ASSETS.—

4 “(1) IN GENERAL.—A digital commodity ex-
5 change shall hold customer money, assets, and prop-
6 erty in a manner to minimize the risk of loss to the
7 customer or unreasonable delay in the access to the
8 money, assets, and property of the customer.

9 “(A) SEGREGATION OF FUNDS.—

10 “(i) IN GENERAL.—A digital com-
11 modity exchange shall treat and deal with
12 all money, assets, and property that is re-
13 ceived by the digital commodity exchange,
14 or accrues to a customer as the result of
15 trading in digital commodities, as belong-
16 ing to the customer.

17 “(ii) COMMINGLING PROHIBITED.—
18 Money, assets, and property of a customer
19 described in clause (i) shall be separately
20 accounted for and shall not be commingled
21 with the funds of the digital commodity ex-
22 change or be used to margin, secure, or
23 guarantee any trades or accounts of any
24 customer or person other than the person
25 for whom the same are held.

1 “(B) EXCEPTIONS.—

2 “(i) USE OF FUNDS.—

3 “(I) IN GENERAL.—Notwith-
4 standing subparagraph (A), money,
5 assets, and property of customers of a
6 digital commodity exchange described
7 in subparagraph (A) may, for conven-
8 ience, be commingled and deposited in
9 the same account or accounts with
10 any bank, trust company, derivatives
11 clearing organization, or qualified dig-
12 ital commodity custodian.

13 “(II) WITHDRAWAL.—Notwith-
14 standing subparagraph (A), such
15 share of the money, assets, and prop-
16 erty described in item (aa) as in the
17 normal course of business shall be
18 necessary to margin, guarantee, se-
19 cure, transfer, adjust, or settle a con-
20 tract of sale of a digital commodity
21 with a registered entity may be with-
22 drawn and applied to such purposes,
23 including the payment of commis-
24 sions, brokerage, interest, taxes, stor-
25 age, and other charges, lawfully ac-

1 eruing in connection with the contract
2 of sale of a digital commodity.

3 “(ii) COMMISSION ACTION.—Notwith-
4 standing subparagraph (A), in accordance
5 with such terms and conditions as the
6 Commission may prescribe by rule, regula-
7 tion, or order, any money, assets, or prop-
8 erty of the customers of a digital com-
9 modity exchange described in subpara-
10 graph (A) may be commingled and depos-
11 ited in customer accounts with any other
12 money, assets, or property received by the
13 digital commodity exchange and required
14 by the Commission to be separately ac-
15 counted for and treated and dealt with as
16 belonging to the customer of the digital
17 commodity exchange.

18 “(2) PERMITTED INVESTMENTS.—Money de-
19 scribed in subparagraph (A) may be invested in obli-
20 gations of the United States, in general obligations
21 of any State or of any political subdivision of a
22 State, and in obligations fully guaranteed as to prin-
23 cipal and interest by the United States, or in any
24 other investment that the Commission may by rule
25 or regulation prescribe, and such investments shall

1 be made in accordance with such rules and regula-
2 tions and subject to such conditions as the Commis-
3 sion may prescribe.

4 “(3) CUSTOMER PROTECTION DURING BANK-
5 RUPTCY.—

6 “(A) CUSTOMER PROPERTY.—All assets
7 held on behalf of a customer by a digital com-
8 modity exchange, and all money, assets, and
9 property of any customer received by a digital
10 commodity exchange for trading or custody, or
11 to facilitate, margin, guarantee, or secure con-
12 tracts of sale of a digital commodity (including
13 money, assets, or property accruing to the cus-
14 tomer as the result of the transactions), shall
15 be considered customer property for purposes of
16 section 761 of title 11, United States Code.

17 “(B) TRANSACTIONS.—A transaction in-
18 volving a unit of a digital commodity occurring
19 on or subject to the rules of a digital com-
20 modity exchange shall be considered a ‘contract
21 for the purchase or sale of a commodity for fu-
22 ture delivery, on or subject to the rules of, a
23 contract market or board of trade’ for the pur-
24 poses of the definition of a ‘commodity con-

1 tract’ in section 761 of title 11, United States
2 Code.

3 “(C) EXCHANGES.—A digital commodity
4 exchange shall be considered a futures commis-
5 sion merchant for purposes of section 761 of
6 title 11, United States Code.

7 “(4) MISUSE OF CUSTOMER PROPERTY.—

8 “(A) IN GENERAL.—It shall be unlawful—

9 “(i) for any digital commodity ex-
10 change that has received any customer
11 money, assets, or property for custody to
12 dispose of, or use any such money, assets,
13 or property as belonging to the digital
14 commodity exchange; or

15 “(ii) for any other person, including
16 any depository, other digital commodity ex-
17 change, or digital commodity custodian
18 that has received any customer money, as-
19 sets, or property for deposit, to hold, dis-
20 pose of, or use any such money, assets, or
21 property, or property, as belonging to the
22 depositing digital commodity exchange or
23 any person other than the customers of the
24 digital commodity exchange.

1 “(B) USE FURTHER DEFINED.—For pur-
2 poses of this section, ‘use’ of a digital com-
3 modity includes utilizing any unit of a digital
4 asset to participate in a blockchain service de-
5 fined in paragraph (5) or a decentralized gov-
6 ernance system associated with the digital com-
7 modity or the blockchain system to which the
8 digital commodity relates in any manner other
9 than that expressly directed by the customer
10 from whom the unit of a digital commodity was
11 received.

12 “(5) PARTICIPATION IN BLOCKCHAIN SERV-
13 ICES.—

14 “(A) IN GENERAL.—A customer shall have
15 the right to waive the restrictions in paragraph
16 (1) for any unit of a digital commodity to be
17 used under subparagraph (B), by affirmatively
18 electing, in writing to the digital commodity ex-
19 change, to waive the restrictions.

20 “(B) USE OF FUNDS.—Customer digital
21 commodities removed from segregation under
22 subparagraph (A) may be pooled and used by
23 the digital commodity exchange or its designee
24 to provide a blockchain service for a blockchain
25 system to which the unit of the digital asset re-

1 moved from segregation in subparagraph (A)
2 relates.

3 “(C) LIMITATIONS.—The Commission
4 may, by rule, establish notice and disclosure re-
5 quirements, and any other limitations and rules
6 related to the waiving of any restrictions under
7 this paragraph that are reasonably necessary to
8 protect customers, including eligible contract
9 participants, non-eligible contract participants,
10 or any other class of customers.

11 “(D) BLOCKCHAIN SERVICE DEFINED.—In
12 this subparagraph, the term ‘blockchain service’
13 means any activity relating to validating trans-
14 actions on a blockchain system, providing secu-
15 rity for a blockchain system, or other similar
16 activity required for the ongoing operation of a
17 blockchain system.

18 “(e) MARKET ACCESS REQUIREMENTS.—

19 “(1) IN GENERAL.—A digital commodity ex-
20 change shall require any person who is not an eligi-
21 ble contract participant to access trading on the ex-
22 change through a digital commodity broker.

23 “(2) AFFILIATED COMMODITY BROKERS.—A
24 registered digital commodity exchange may allow an

1 affiliated digital commodity broker to facilitate ac-
2 cess to the digital commodity exchange, if—

3 “(A) no other digital commodity brokers
4 facilitate access to the exchange;

5 “(B) the affiliated digital commodity can-
6 not provide customer access to another digital
7 commodity exchange; and

8 “(C) the affiliated digital commodity
9 broker is not also registered as a digital com-
10 modity dealer.

11 “(3) DIRECT ACCESS FOR ELIGIBLE CONTRACT
12 PARTICIPANTS.—Nothing in this section shall pro-
13 hibit a digital commodity exchange in compliance
14 with this section from permitting direct access for
15 eligible contract participants.

16 “(4) ADDITIONAL REQUIREMENTS.—

17 “(A) IN GENERAL.—The Commission may,
18 by rule, impose any additional requirements re-
19 lated to the operations and activities of the dig-
20 ital commodity exchange and the affiliated dig-
21 ital commodity broker necessary to protect mar-
22 ket participants, promote fair and equitable
23 trading on the digital commodity exchange, and
24 promote responsible economic or financial inno-
25 vation.

1 “(B) DELEGATION OF AUTHORITY.—The
2 Commission may delegate to a registered fu-
3 tures association such oversight and regulatory
4 requirements as the Commission determines are
5 necessary to—

6 “(i) supervise the activities of the dig-
7 ital commodity exchange and an affiliated
8 digital commodity broker; and

9 “(ii) protect market participants, pro-
10 mote fair and equitable trading on the dig-
11 ital commodity exchange, and promote re-
12 sponsible economic or financial innovation.

13 “(C) COMPETITIVE ACCESS RULE.—Not-
14 withstanding paragraph (2)(A), the Commission
15 shall, by rule, adopt standards that permit a
16 digital commodity exchange to allow both affili-
17 ated and unaffiliated digital commodity brokers
18 to facilitate access to the digital commodity ex-
19 change. The Commission rule shall address—

20 “(i) additional requirements for inde-
21 pendent governance arrangements and fit-
22 ness standards of affiliated entities;

23 “(ii) open access;

24 “(iii) conflicts of interest;

25 “(iv) antitrust considerations; and

1 “(v) any other factor that the Com-
2 mission determines is necessary or appro-
3 priate to foster an open and competitive
4 market and is in the public interest.

5 “(f) DESIGNATION OF CHIEF COMPLIANCE OFFI-
6 CER.—

7 “(1) IN GENERAL.—A digital commodity ex-
8 change shall designate an individual to serve as a
9 chief compliance officer.

10 “(2) DUTIES.—The chief compliance officer
11 shall—

12 “(A) report directly to the board or to the
13 senior officer of the exchange;

14 “(B) review compliance with the core prin-
15 ciples in this subsection;

16 “(C) in consultation with the board of the
17 exchange, a body performing a function similar
18 to that of a board, or the senior officer of the
19 exchange, resolve any conflicts of interest that
20 may arise;

21 “(D) establish and administer the policies
22 and procedures required to be established pur-
23 suant to this section;

24 “(E) ensure compliance with this Act and
25 the rules and regulations issued under this Act,

1 including rules prescribed by the Commission
2 pursuant to this section; and

3 “(F) establish procedures for the remedi-
4 ation of noncompliance issues found during
5 compliance office reviews, look backs, internal
6 or external audit findings, self-reported errors,
7 or through validated complaints.

8 “(3) REQUIREMENTS FOR PROCEDURES.—In
9 establishing procedures under paragraph (2)(F), the
10 chief compliance officer shall design the procedures
11 to establish the handling, management response, re-
12 mediation, retesting, and closing of noncompliance
13 issues.

14 “(4) ANNUAL REPORTS.—

15 “(A) IN GENERAL.—In accordance with
16 rules prescribed by the Commission, the chief
17 compliance officer shall annually prepare and
18 sign a report that contains a description of—

19 “(i) the compliance of the digital com-
20 modity exchange with this Act; and

21 “(ii) the policies and procedures, in-
22 cluding the code of ethics and conflict of
23 interest policies, of the digital commodity
24 exchange.

1 “(B) REQUIREMENTS.—The chief compli-
2 ance officer shall—

3 “(i) submit each report described in
4 subparagraph (A) with the appropriate fi-
5 nancial report of the digital commodity ex-
6 change that is required to be submitted to
7 the Commission pursuant to this section;
8 and

9 “(ii) include in the report a certifi-
10 cation that, under penalty of law, the re-
11 port is accurate and complete.

12 “(g) APPOINTMENT OF TRUSTEE.—

13 “(1) IN GENERAL.—If a proceeding under sec-
14 tion 5e results in the suspension or revocation of the
15 registration of a digital commodity exchange, or if a
16 digital commodity exchange withdraws from registra-
17 tion, the Commission, on notice to the digital com-
18 modity exchange, may apply to the appropriate
19 United States district court where the digital com-
20 modity exchange is located for the appointment of a
21 trustee.

22 “(2) ASSUMPTION OF JURISDICTION.—If the
23 Commission applies for appointment of a trustee
24 under paragraph (1)—

1 “(A) the court may take exclusive jurisdic-
2 tion over the digital commodity exchange and
3 the records and assets of the digital commodity
4 exchange, wherever located; and

5 “(B) if the court takes jurisdiction under
6 subparagraph (A), the court shall appoint the
7 Commission, or a person designated by the
8 Commission, as trustee with power to take pos-
9 session and continue to operate or terminate
10 the operations of the digital commodity ex-
11 change in an orderly manner for the protection
12 of customers subject to such terms and condi-
13 tions as the court may prescribe.

14 “(h) QUALIFIED DIGITAL COMMODITY CUSTO-
15 DIAN.—A digital commodity exchange shall hold in a
16 qualified digital commodity custodian each unit of a digital
17 commodity that is—

18 “(1) the property of a customer of the digital
19 commodity exchange;

20 “(2) required to be held by the digital com-
21 modity exchange under subsection (c)(12) of this
22 section; or

23 “(3) otherwise so required by the Commission
24 to reasonably protect customers or promote the pub-
25 lic interest.

1 “(i) EXEMPTIONS.—

2 “(1) In order to promote responsible economic
3 or financial innovation and fair competition, or pro-
4 tect customers, the Commission may (on its own ini-
5 tiative or on application of the registered digital
6 commodity exchange) exempt, either unconditionally
7 or on stated terms or conditions or for stated peri-
8 ods and either retroactively or prospectively, or both,
9 a registered digital commodity exchange from the re-
10 quirements of this section, if the Commission deter-
11 mines that—

12 “(A) the exemption would be consistent
13 with the public interest and the purposes of this
14 Act; and

15 “(B) the exemption will not have a mate-
16 rial adverse effect on the ability of the Commis-
17 sion or the digital commodity exchange to dis-
18 charge regulatory or self-regulatory duties
19 under this Act.

20 “(2) The Commission may exempt, condi-
21 tionally or unconditionally, a digital commodity ex-
22 change from registration under this section if the
23 Commission finds that the digital commodity ex-
24 change is subject to comparable, comprehensive su-
25 pervision and regulation on a consolidated basis by

1 the appropriate governmental authorities in the
2 home country of the facility.

3 “(j) CUSTOMER DEFINED.—In this section, the term
4 ‘customer’ means any person that maintains an account
5 for the trading of digital commodities directly with a dig-
6 ital commodity exchange (other than a person that is
7 owned or controlled, directly or indirectly, by the digital
8 commodity exchange) for its own behalf or on behalf of
9 any other person.

10 “(k) FEDERAL PREEMPTION.—Notwithstanding any
11 other provision of law, the Commission shall have exclusive
12 jurisdiction over any digital commodity exchange reg-
13 istered under this section.

14 “(l) TREATMENT UNDER THE BANK SECRECY
15 ACT.—A registered digital commodity exchange shall be
16 treated as a financial institution for purposes of the Bank
17 Secrecy Act.

18 “(m) WITHDRAWAL OF CERTIFICATION OF A
19 BLOCKCHAIN SYSTEM.—

20 “(1) IN GENERAL.—

21 “(A) DETERMINATION BY A DIGITAL COM-
22 MODITY EXCHANGE.—With respect to a certifi-
23 cation of a blockchain system that becomes ef-
24 fective pursuant to section 44(f) of the Securi-
25 ties Exchange Act of 1934, if a digital com-

1 modify exchange determines that the blockchain
2 system may not be a decentralized network, the
3 digital commodity exchange shall notify the
4 Commission of such determination.

5 “(B) WITHDRAWAL PROCESS.—With re-
6 spect to each notification received under sub-
7 paragraph (A), the Commission shall initiate a
8 withdrawal process under which the Commis-
9 sion shall—

10 “(i) publish a notice announcing the
11 proposed withdrawal;

12 “(ii) provide a 30 day comment period
13 with respect to the proposed withdrawal;
14 and

15 “(iii) after the end of the 30-day com-
16 ment required under clause (ii), publish ei-
17 ther—

18 “(I) a notification of withdrawal
19 of the applicable certification; or

20 “(II) a notice that the Commis-
21 sion is not withdrawing the certifi-
22 cation.

23 “(C) DETAILED ANALYSIS REQUIRED.—
24 The Commission shall include, with each publi-
25 cation of a notification of withdrawal described

1 under subparagraph (B)(iii)(I), a detailed anal-
2 ysis of the factors on which the decision was
3 based.

4 “(2) RECERTIFICATION.—With respect to a
5 blockchain system for which a certification has been
6 withdrawn under this subsection, no person may
7 make a certification under section 44(a) of the Secu-
8 rities Exchange Act of 1934 with respect to such
9 blockchain system during the 90-day period begin-
10 ning on the date of such withdrawal.

11 “(3) APPEAL OF WITHDRAWAL.—

12 “(A) IN GENERAL.—If a certification is
13 withdrawn under this subsection, a person mak-
14 ing may appeal the decision to the United
15 States Court of Appeals for the District of Co-
16 lumbia, not later than 60 days after the notice
17 of withdrawal is made.

18 “(B) REVIEW.—In an appeal under sub-
19 paragraph (A), the court shall have de novo re-
20 view of the determination to withdraw the cer-
21 tification.”.

22 **SEC. 405. QUALIFIED DIGITAL COMMODITY CUSTODIANS.**

23 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
24 as amended by the preceding provisions of this Act, is
25 amended by inserting after section 5i the following:

1 **“SEC. 5j. QUALIFIED DIGITAL COMMODITY CUSTODIANS.**

2 “(a) IN GENERAL.—For purposes of this Act, a
3 qualified digital commodity custodian is a digital com-
4 modity custodian who meets the following conditions:

5 “(1) SUPERVISION.—The digital commodity
6 custodian is subject to adequate supervision and ap-
7 propriate regulation.

8 “(2) NO PROHIBITION.—The digital commodity
9 custodian is—

10 “(A) subject to the supervision of—

11 “(i) an appropriate Federal banking
12 agency;

13 “(ii) a State bank supervisor (within
14 the meaning of section 3 of the Federal
15 Deposit Insurance Act);

16 “(iii) the Commission or the Securi-
17 ties and Exchange Commission; or

18 “(iv) an appropriate foreign govern-
19 mental authority in the home country of
20 the digital commodity custodian; and

21 “(B) not prohibited by the applicable su-
22 pervisor referred to in subparagraph (A) from
23 engaging in any activity with respect to the
24 holding of digital commodities.

25 “(3) INFORMATION-SHARING.—

1 “(A) IN GENERAL.—The digital commodity
2 custodian agrees to such periodic sharing of in-
3 formation regarding customer accounts the dig-
4 ital commodity custodian holds on behalf of an
5 entity registered with the Commission, as the
6 Commission determines by rule shall be reason-
7 ably necessary to effectuate any of the provi-
8 sions, or to accomplish any of the purposes, of
9 this Act.

10 “(B) PROVISION OF INFORMATION.—Any
11 person that is subject to regulation and exam-
12 ination by an appropriate Federal banking
13 agency may satisfy any information request de-
14 scribed in subparagraph (A), by providing the
15 Commission with a detailed listing, in writing,
16 of the digital commodities of a customer within
17 the custody or use of the person.

18 “(b) ADEQUATE SUPERVISION AND APPROPRIATE
19 REGULATION FURTHER DEFINED.—

20 “(1) IN GENERAL.—In subsection (a), the
21 terms ‘adequate supervision’ and ‘appropriate regu-
22 lation’ mean such minimum standards for super-
23 vision and regulation as are reasonably necessary to
24 protect the digital commodities of customers of an

1 entity registered with the Commission, including
2 minimum standards relating to—

3 “(A) accessibility of customer assets;

4 “(B) financial resources;

5 “(C) risk management requirements;

6 “(D) governance arrangements;

7 “(E) fitness standards for officers and di-
8 rectors;

9 “(F) recordkeeping;

10 “(G) information-sharing; and

11 “(H) conflicts of interest.

12 “(2) DEEMED COMPLIANCE.—For purposes of
13 subsection (a), a digital commodity custodian is
14 deemed to be subject to adequate supervision and
15 appropriate regulation, if the digital commodity cus-
16 todian is—

17 “(A) subject to the supervision of the Com-
18 mission; or

19 “(B) a bank subject to the supervision of
20 an appropriate Federal banking agency or a
21 State bank supervisor (within the meaning of
22 section 3 of the Federal Deposit Insurance
23 Act).

24 “(3) RULEMAKING AUTHORITY.—For purposes
25 of subsection (a), the Commission may, by rule, fur-

1 ther define the terms ‘adequate supervision’ and ‘ap-
2 propriate regulation’ as necessary in the public in-
3 terest, as appropriate for the protection of cus-
4 tomers, and consistent with the purposes of this Act.

5 “(c) **AUTHORITY TO TEMPORARILY SUSPEND STAND-**
6 **ARDS.**—The Commission may, by rule or order, tempo-
7 rarily suspend, in whole or in part, any requirement im-
8 posed under, or any standard referred to in, this section
9 if the Commission determines that the suspension would
10 be consistent with the public interest and the purposes of
11 this Act.”.

12 **SEC. 406. REGISTRATION AND REGULATION OF DIGITAL**
13 **COMMODITY BROKERS AND DEALERS.**

14 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
15 as amended by the preceding provisions of this Act, is
16 amended by inserting after section 4t the following:

17 **“SEC. 4u. REGISTRATION AND REGULATION OF DIGITAL**
18 **COMMODITY BROKERS AND DEALERS.**

19 “(a) **REGISTRATION.**—It shall be unlawful for any
20 person to act as a digital commodity broker or digital com-
21 modity dealer unless the person is registered as such with
22 the Commission.

23 “(b) **REQUIREMENTS.**—

24 “(1) **IN GENERAL.**—A person shall register as
25 a digital commodity broker or digital commodity

1 dealer by filing a registration application with the
2 Commission.

3 “(2) CONTENTS.—

4 “(A) IN GENERAL.—The application shall
5 be made in such form and manner as is pre-
6 scribed by the Commission, and shall contain
7 such information as the Commission considers
8 necessary concerning the business in which the
9 applicant is or will be engaged.

10 “(B) CONTINUAL REPORTING.—A person
11 that is registered as a digital commodity broker
12 or digital commodity dealer shall continue to
13 submit to the Commission reports that contain
14 such information pertaining to the business of
15 the person as the Commission may require.

16 “(3) TRANSITION.—Within 180 days after the
17 date of the enactment of this section, the Commis-
18 sion shall prescribe rules providing for the registra-
19 tion of digital commodity brokers and digital com-
20 modity dealers under this section.

21 “(4) STATUTORY DISQUALIFICATION.—Except
22 to the extent otherwise specifically provided by rule,
23 regulation, or order, it shall be unlawful for a digital
24 commodity broker or digital commodity dealer to
25 permit any person who is associated with a digital

1 commodity broker or a digital commodity dealer and
2 who is subject to a statutory disqualification to ef-
3 fect or be involved in effecting a contract of sale of
4 a digital commodity on behalf of the digital com-
5 modity broker or the digital commodity dealer, re-
6 spectively, if the digital commodity broker or digital
7 commodity dealer, respectively, knew, or in the exer-
8 cise of reasonable care should have known, of the
9 statutory disqualification.

10 “(5) LIMITATIONS ON CERTAIN ASSETS.—A
11 digital commodity broker or digital commodity deal-
12 er shall not offer, offer to enter into, enter into, or
13 facilitate any contract of sale of a digital commodity
14 that has not been certified under section 5c(d).

15 “(c) ADDITIONAL REGISTRATIONS.—

16 “(1) WITH THE COMMISSION.—Any person re-
17 quired to be registered as a digital commodity
18 broker or digital commodity dealer may also be reg-
19 istered as a futures commission merchant, intro-
20 ducing broker, or swap dealer.

21 “(2) WITH THE SECURITIES AND EXCHANGE
22 COMMISSION.—Any person required to be registered
23 as a digital commodity broker or digital commodity
24 dealer under this section may register with the Secu-
25 rities and Exchange Commission as a digital asset

1 broker or digital asset dealer, pursuant to section
2 15(b) of the Securities Exchange Act of 1934, as ap-
3 plicable, if the digital asset broker or digital asset
4 dealer limits its solicitation of orders, acceptance of
5 orders, or execution of orders, or placing of orders
6 on behalf of others involving any contract of sale of
7 digital assets.

8 “(3) WITH MEMBERSHIP IN A REGISTERED FU-
9 TURES ASSOCIATION.—Any person required to be
10 registered as a digital commodity broker or digital
11 commodity dealer under this section shall be a mem-
12 ber of a registered futures association.

13 “(4) REGISTRATION REQUIRED.—Any person
14 required to be registered as a digital commodity
15 broker or digital commodity dealer under this sec-
16 tion shall register with the Commission as such re-
17 gardless of whether the person is registered with an-
18 other State or Federal regulator.

19 “(d) RULEMAKING.—

20 “(1) IN GENERAL.—The Commission shall pre-
21 scribe such rules applicable to registered digital com-
22 modity brokers and registered digital commodity
23 dealers as are appropriate to carry out this section,
24 including rules in the public interest that limit the

1 activities of digital commodity brokers and digital
2 commodity dealers.

3 “(2) MULTIPLE REGISTRANTS.—The Commis-
4 sion shall prescribe rules or regulations permitting,
5 or may otherwise authorize, exemptions or additional
6 requirements applicable to persons with multiple reg-
7 istrations under this Act, including as futures com-
8 mission merchants, introducing brokers, digital com-
9 modity brokers, digital commodity dealers, or swap
10 dealers, as may be in the public interest to reduce
11 compliance costs and promote customer protection.

12 “(e) CAPITAL REQUIREMENTS.—

13 “(1) IN GENERAL.—Each digital commodity
14 broker and digital commodity dealer shall meet such
15 minimum capital requirements as the Commission
16 may prescribe to ensure that the digital commodity
17 broker or digital commodity dealer, respectively, is
18 able to—

19 “(A) meet, and continue to meet, at all
20 times, the obligations of such a registrant;

21 “(B) conduct an orderly wind-down of the
22 activities of the digital commodity broker or
23 digital commodity dealer, respectively; and

24 “(C) in the case of a digital commodity
25 dealer, fulfill the counterparty obligations of the

1 digital commodity dealer for any margined, le-
2 veraged, or financed transactions.

3 “(2) RULE OF CONSTRUCTION.—Nothing in
4 this section shall limit, or be construed to limit, the
5 authority of the Securities and Exchange Commis-
6 sion to set financial responsibility rules for a broker
7 or dealer registered pursuant to section 15(b) of the
8 Securities Exchange Act of 1934 (15 U.S.C. 78o(b))
9 (except for section 15(b)(11) of such Act (15 U.S.C.
10 78o(b)(11)) in accordance with section 15(c)(3) of
11 such Act (15 U.S.C. 78o(c)(3)).

12 “(3) FUTURES COMMISSION MERCHANTS AND
13 OTHER DEALERS.—

14 “(A) IN GENERAL.—Each futures commis-
15 sion merchant, introducing broker, digital com-
16 modity broker, digital commodity dealer,
17 broker, and dealer shall maintain sufficient cap-
18 ital to comply with the stricter of any applicable
19 capital requirements to which the futures com-
20 mission merchant, introducing broker, digital
21 commodity broker, digital commodity dealer,
22 broker, or dealer, respectively, is subject under
23 this Act or the Securities Exchange Act of 1934
24 (15 U.S.C. 78a et seq.).

1 “(B) COORDINATION OF CAPITAL RE-
2 QUIREMENTS.—

3 “(i) COMMISSION RULE.—The Com-
4 mission shall, by rule, provide appropriate
5 offsets to any applicable capital require-
6 ment for a person with multiple registra-
7 tions as a digital commodity dealer, digital
8 commodity broker, futures commission
9 merchant, or introducing broker.

10 “(ii) JOINT RULE.—The Commission
11 and the Securities and Exchange Commis-
12 sion shall jointly, by rule, provide appro-
13 priate offsets to any applicable capital re-
14 quirement for a person with multiple reg-
15 istrations as a digital commodity dealer,
16 digital commodity broker, futures commis-
17 sion merchant, introducing broker, broker,
18 or dealer.

19 “(f) REPORTING AND RECORDKEEPING.—Each dig-
20 ital commodity broker and digital commodity dealer—

21 “(1) shall make such reports as are required by
22 the Commission by rule or regulation regarding the
23 transactions, positions, and financial condition of the
24 digital commodity broker or digital commodity deal-
25 er, respectively;

1 “(2) shall keep books and records in such form
2 and manner and for such period as may be pre-
3 scribed by the Commission by rule or regulation; and

4 “(3) shall keep the books and records open to
5 inspection and examination by any representative of
6 the Commission.

7 “(g) DAILY TRADING RECORDS.—

8 “(1) IN GENERAL.—Each digital commodity
9 broker and digital commodity dealer shall maintain
10 daily trading records of the transactions of the dig-
11 ital commodity broker or digital commodity dealer,
12 respectively, and all related records (including re-
13 lated forward or derivatives transactions) and re-
14 corded communications, including electronic mail, in-
15 stant messages, and recordings of telephone calls,
16 for such period as the Commission may require by
17 rule or regulation.

18 “(2) INFORMATION REQUIREMENTS.—The daily
19 trading records shall include such information as the
20 Commission shall require by rule or regulation.

21 “(3) COUNTERPARTY RECORDS.—Each digital
22 commodity broker and digital commodity dealer shall
23 maintain daily trading records for each customer or
24 counterparty in a manner and form that is identifi-
25 able with each digital commodity transaction.

1 “(4) AUDIT TRAIL.—Each digital commodity
2 broker and digital commodity dealer shall maintain
3 a complete audit trail for conducting comprehensive
4 and accurate trade reconstructions.

5 “(h) BUSINESS CONDUCT STANDARDS.—

6 “(1) IN GENERAL.—Each digital commodity
7 broker and digital commodity dealer shall conform
8 with such business conduct standards as the Com-
9 mission, by rule or regulation, prescribes related
10 to—

11 “(A) fraud, manipulation, and other abu-
12 sive practices involving spot or margined, lever-
13 aged, or financed digital commodity trans-
14 actions (including transactions that are offered
15 but not entered into);

16 “(B) diligent supervision of the business of
17 the registered digital commodity broker or dig-
18 ital commodity dealer, respectively; and

19 “(C) such other matters as the Commis-
20 sion deems appropriate.

21 “(2) BUSINESS CONDUCT REQUIREMENTS.—
22 The Commission shall, by rule, prescribe business
23 conduct requirements which—

24 “(A) require disclosure by a registered dig-
25 ital commodity broker and registered digital

1 commodity dealer to any counterparty to the
2 transaction (other than an eligible contract par-
3 ticipant) of—

4 “(i) information about the material
5 risks and characteristics of the digital com-
6 modity;

7 “(ii) information about the material
8 risks and characteristics of the transaction;

9 “(B) establish a duty for such a digital
10 commodity broker and such a digital commodity
11 dealer to communicate in a fair and balanced
12 manner based on principles of fair dealing and
13 good faith;

14 “(C) establish standards governing digital
15 commodity broker and digital commodity dealer
16 marketing and advertising, including
17 testimonials and endorsements; and

18 “(D) establish such other standards and
19 requirements as the Commission may determine
20 are—

21 “(i) in the public interest;

22 “(ii) appropriate for the protection of
23 customers; or

24 “(iii) otherwise in furtherance of the
25 purposes of this Act.

1 “(3) PROHIBITION ON FRAUDULENT PRAC-
2 TICES.—It shall be unlawful for a digital commodity
3 broker or digital commodity dealer to—

4 “(A) employ any device, scheme, or artifice
5 to defraud any customer or counterparty;

6 “(B) engage in any transaction, practice,
7 or course of business that operates as a fraud
8 or deceit on any customer or counterparty; or

9 “(C) engage in any act, practice, or course
10 of business that is fraudulent, deceptive, or ma-
11 nipulative.

12 “(i) DUTIES.—

13 “(1) RISK MANAGEMENT PROCEDURES.—Each
14 digital commodity broker and digital commodity
15 dealer shall establish robust and professional risk
16 management systems adequate for managing the
17 day-to-day business of the digital commodity broker
18 or digital commodity dealer, respectively.

19 “(2) DISCLOSURE OF GENERAL INFORMA-
20 TION.—Each digital commodity broker and digital
21 commodity dealer shall disclose to the Commission
22 information concerning—

23 “(A) the terms and conditions of the trans-
24 actions of the digital commodity broker or dig-
25 ital commodity dealer, respectively;

1 “(B) the trading operations, mechanisms,
2 and practices of the digital commodity broker
3 or digital commodity dealer, respectively;

4 “(C) financial integrity protections relating
5 to the activities of the digital commodity broker
6 or digital commodity dealer, respectively; and

7 “(D) other information relevant to trading
8 in digital commodities by the digital commodity
9 broker or digital commodity dealer, respectively.

10 “(3) ABILITY TO OBTAIN INFORMATION.—Each
11 digital commodity broker and digital commodity
12 dealer shall—

13 “(A) establish and enforce internal systems
14 and procedures to obtain any necessary infor-
15 mation to perform any of the functions de-
16 scribed in this section; and

17 “(B) provide the information to the Com-
18 mission, on request.

19 “(4) CONFLICTS OF INTEREST.—Each digital
20 commodity broker and digital commodity dealer shall
21 implement conflict-of-interest systems and proce-
22 dures that—

23 “(A) establish structural and institutional
24 safeguards—

1 “(i) to minimize conflicts of interest
2 that might potentially bias the judgment or
3 supervision of the digital commodity broker
4 or digital commodity dealer, respectively,
5 and contravene the principles of fair and
6 equitable trading and the business conduct
7 standards described in this Act, including
8 conflicts arising out of transactions or ar-
9 rangements with affiliates (including affili-
10 ates acting as digital asset issuers, digital
11 commodity dealers, or qualified digital
12 commodity custodians), which may include
13 information partitions and the legal sepa-
14 ration of different persons involved in dig-
15 ital commodity activities; and

16 “(ii) to ensure that the activities of
17 any person within the digital commodity
18 broker or digital commodity dealer relating
19 to research or analysis of the price or mar-
20 ket for any digital commodity or acting in
21 a role of providing exchange activities or
22 making determinations as to accepting ex-
23 change customers are separated by appro-
24 priate informational partitions within the
25 digital commodity broker or digital com-

1 modity dealer from the review, pressure, or
2 oversight of persons whose involvement in
3 pricing, trading, exchange, or clearing ac-
4 tivities might potentially bias their judg-
5 ment or supervision and contravene the
6 core principles of open access and the busi-
7 ness conduct standards described in this
8 Act; and

9 “(B) address such other issues as the
10 Commission determines to be appropriate.

11 “(5) ANTITRUST CONSIDERATIONS.—Unless
12 necessary or appropriate to achieve the purposes of
13 this Act, a digital commodity broker or digital com-
14 modity dealer shall not—

15 “(A) adopt any process or take any action
16 that results in any unreasonable restraint of
17 trade; or

18 “(B) impose any material anticompetitive
19 burden on trading or clearing.

20 “(j) DESIGNATION OF CHIEF COMPLIANCE OFFI-
21 CER.—

22 “(1) IN GENERAL.—Each digital commodity
23 broker and digital commodity dealer shall designate
24 an individual to serve as a chief compliance officer.

1 “(2) DUTIES.—The chief compliance officer
2 shall—

3 “(A) report directly to the board or to the
4 senior officer of the registered digital com-
5 modity broker or registered digital commodity
6 dealer;

7 “(B) review the compliance of the reg-
8 istered digital commodity broker or registered
9 digital commodity dealer with respect to the
10 registered digital commodity broker and reg-
11 istered digital commodity dealer requirements
12 described in this section;

13 “(C) in consultation with the board of di-
14 rectors, a body performing a function similar to
15 the board, or the senior officer of the organiza-
16 tion, resolve any conflicts of interest that may
17 arise;

18 “(D) be responsible for administering each
19 policy and procedure that is required to be es-
20 tablished pursuant to this section;

21 “(E) ensure compliance with this Act (in-
22 cluding regulations), including each rule pre-
23 scribed by the Commission under this section;

1 “(F) establish procedures for the remedi-
2 ation of noncompliance issues identified by the
3 chief compliance officer through any—

4 “(i) compliance office review;

5 “(ii) look-back;

6 “(iii) internal or external audit find-
7 ing;

8 “(iv) self-reported error; or

9 “(v) validated complaint; and

10 “(G) establish and follow appropriate pro-
11 cedures for the handling, management response,
12 remediation, retesting, and closing of non-
13 compliance issues.

14 “(3) ANNUAL REPORTS.—

15 “(A) IN GENERAL.—In accordance with
16 rules prescribed by the Commission, the chief
17 compliance officer shall annually prepare and
18 sign a report that contains a description of—

19 “(i) the compliance of the registered
20 digital commodity broker or registered dig-
21 ital commodity dealer with respect to this
22 Act (including regulations); and

23 “(ii) each policy and procedure of the
24 registered digital commodity broker or reg-
25 istered digital commodity dealer of the

1 chief compliance officer (including the code
2 of ethics and conflict of interest policies).

3 “(B) REQUIREMENTS.—The chief compli-
4 ance officer shall ensure that a compliance re-
5 port under subparagraph (A)—

6 “(i) accompanies each appropriate fi-
7 nancial report of the registered digital
8 commodity broker or registered digital
9 commodity dealer that is required to be
10 furnished to the Commission pursuant to
11 this section; and

12 “(ii) includes a certification that,
13 under penalty of law, the compliance re-
14 port is accurate and complete.

15 “(k) SEGREGATION OF DIGITAL COMMODITIES.—

16 “(1) HOLDING OF CUSTOMER ASSETS.—

17 “(A) IN GENERAL.—Each digital com-
18 modity broker and digital commodity dealer
19 shall hold customer money, assets, and property
20 in a manner to minimize the risk of loss to the
21 customer or unreasonable delay in customer ac-
22 cess to the money, assets, and property of the
23 customer.

24 “(B) QUALIFIED DIGITAL COMMODITY
25 CUSTODIAN.—Each digital commodity broker

1 and digital commodity dealer shall hold in a
2 qualified digital commodity custodian each unit
3 of a digital commodity that is—

4 “(i) the property of a customer or
5 counterparty of the digital commodity
6 broker or digital commodity dealer, respec-
7 tively;

8 “(ii) required to be held by the digital
9 commodity broker or digital commodity
10 dealer under subsection (e); or

11 “(iii) otherwise so required by the
12 Commission to reasonably protect cus-
13 tomers or promote the public interest.

14 “(2) SEGREGATION OF FUNDS.—

15 “(A) IN GENERAL.—Each digital com-
16 modity broker and digital commodity dealer
17 shall treat and deal with all money, assets, and
18 property that is received by the registered dig-
19 ital commodity broker or registered digital com-
20 modity dealer, or accrues to a customer as the
21 result of trading in digital commodities, as be-
22 longing to the customer.

23 “(B) COMMINGLING PROHIBITED.—

24 “(i) IN GENERAL.—Except as pro-
25 vided in clause (ii), each digital commodity

1 broker and digital commodity dealer shall
2 separately account for money, assets, and
3 property of a digital commodity customer,
4 and shall not commingle any such money,
5 assets, or property with the funds of the
6 digital commodity broker or digital com-
7 modity dealer, respectively, or use any such
8 money, assets, or property to margin, se-
9 cure, or guarantee any trades or accounts
10 of any customer or person other than the
11 person for whom the money, assets, or
12 property are held.

13 “(ii) EXCEPTIONS.—

14 “(I) USE OF FUNDS.—

15 “(aa) IN GENERAL.—A dig-
16 ital commodity broker or digital
17 commodity dealer may, for con-
18 venience, commingle and deposit
19 in the same account or accounts
20 with any bank, trust company,
21 derivatives clearing organization,
22 or qualified digital commodity
23 custodian money, assets, and
24 property of customers.

1 “(bb) WITHDRAWAL.—The
2 share of the money, assets, and
3 property described in item (aa)
4 as in the normal course of busi-
5 ness shall be necessary to mar-
6 gin, guarantee, secure, transfer,
7 adjust, or settle a contract of sale
8 of a digital commodity with a
9 registered entity may be with-
10 drawn and applied to such pur-
11 poses, including the payment of
12 commissions, brokerage, interest,
13 taxes, storage, and other charges,
14 lawfully accruing in connection
15 with the contract.

16 “(II) COMMISSION ACTION.—In
17 accordance with such terms and con-
18 ditions as the Commission may pre-
19 scribe by rule, regulation, or order,
20 any money, assets, or property of the
21 customers of a digital commodity
22 broker or digital commodity dealer
23 may be commingled and deposited in
24 customer accounts with any other
25 money, assets, or property received by

1 the digital commodity broker or dig-
2 ital commodity dealer, respectively,
3 and required by the Commission to be
4 separately accounted for and treated
5 and dealt with as belonging to the
6 customer of the digital commodity
7 broker or digital commodity dealer,
8 respectively.

9 “(3) PERMITTED INVESTMENTS.—Money de-
10 scribed in paragraph (2) may be invested in obliga-
11 tions of the United States, in general obligations of
12 any State or of any political subdivision of a State,
13 in obligations fully guaranteed as to principal and
14 interest by the United States, or in any other invest-
15 ment that the Commission may by rule or regulation
16 allow.

17 “(4) CUSTOMER PROTECTION DURING BANK-
18 RUPTCY.—

19 “(A) CUSTOMER PROPERTY.—All money,
20 assets, or property described in paragraph (2)
21 shall be considered customer property for pur-
22 poses of section 761 of title 11, United States
23 Code.

24 “(B) TRANSACTIONS.—A transaction in-
25 volving a unit of a digital commodity occurring

1 with a digital commodity dealer shall be consid-
2 ered a ‘contract for the purchase or sale of a
3 commodity for future delivery, on or subject to
4 the rules of, a contract market or board of
5 trade’ for purposes of the definition of a ‘com-
6 modity contract’ in section 761 of title 11,
7 United States Code.

8 “(C) BROKERS AND DEALERS.—A digital
9 commodity dealer and a digital commodity
10 broker shall be considered a futures commission
11 merchant for purposes of section 761 of title
12 11, United States Code.

13 “(D) ASSETS REMOVED FROM SEGREGA-
14 TION.—Assets removed from segregation due to
15 a customer election under paragraph (5) shall
16 not be considered customer property for pur-
17 poses of section 761 of title 11, United States
18 Code.

19 “(5) MISUSE OF CUSTOMER PROPERTY.—

20 “(A) IN GENERAL.—It shall be unlawful—

21 “(i) for any digital commodity broker
22 or digital commodity dealer that has re-
23 ceived any customer money, assets, or
24 property for custody to dispose of, or use
25 any such money, assets, or property as be-

1 longing to the digital commodity broker or
2 digital commodity dealer, respectively; or

3 “(ii) for any other person, including
4 any depository, digital commodity ex-
5 change, other digital commodity broker,
6 other digital commodity dealer, or digital
7 commodity custodian that has received any
8 customer money, assets, or property for
9 deposit, to hold, dispose of, or use any
10 such money, assets, or property, as belong-
11 ing to the depositing digital commodity
12 broker or digital commodity dealer or any
13 person other than the customers of the
14 digital commodity broker or digital com-
15 modity dealer, respectively.

16 “(B) USE FURTHER DEFINED.—For pur-
17 poses of this section, ‘use’ of a digital com-
18 modity includes utilizing any unit of a digital
19 asset to participate in a blockchain service de-
20 fined in paragraph (6) or a decentralized gov-
21 ernance system associated with the digital com-
22 modity or the blockchain system to which the
23 digital commodity relates in any manner other
24 than that expressly directed by the customer

1 from whom the unit of a digital commodity was
2 received.

3 “(6) PARTICIPATION IN BLOCKCHAIN SERV-
4 ICES.—

5 “(A) IN GENERAL.—A customer shall have
6 the right to waive the restrictions in paragraph
7 (1) for any unit of a digital commodity to be
8 used under subparagraph (B), by affirmatively
9 electing, in writing to the digital commodity
10 broker or digital commodity dealer, to waive the
11 restrictions.

12 “(B) USE OF FUNDS.—Customer digital
13 commodities removed from segregation under
14 subparagraph (A) may be pooled and used by
15 the digital commodity broker or digital com-
16 modity dealer, or one of their designees, to pro-
17 vide a blockchain service for a blockchain sys-
18 tem to which the unit of the digital asset re-
19 moved from segregation in subparagraph (A)
20 relates.

21 “(C) LIMITATIONS.—The Commission
22 may, by rule, establish notice and disclosure re-
23 quirements, and any other limitations and rules
24 related to the waiving of any restrictions under
25 this paragraph that are reasonably necessary to

1 protect customers, including eligible contract
2 participants, non-eligible contract participants,
3 or any other class of customers.

4 “(D) BLOCKCHAIN SERVICE DEFINED.—In
5 this subparagraph, the term ‘blockchain service’
6 means any activity relating to validating trans-
7 actions on a blockchain system, providing secu-
8 rity for a blockchain system, or other similar
9 activity required for the ongoing operation of a
10 blockchain system.

11 “(I) FEDERAL PREEMPTION.—Notwithstanding any
12 other provision of law, the Commission shall have exclusive
13 jurisdiction over any digital commodity broker or digital
14 commodity dealer registered under this section.

15 “(m) EXEMPTIONS.—In order to promote responsible
16 economic or financial innovation and fair competition, or
17 protect customers, the Commission may (on its own initia-
18 tive or on application of the registered digital commodity
19 broker or registered digital commodity dealer) exempt, un-
20 conditionally or on stated terms or conditions, or for stat-
21 ed periods, and retroactively or prospectively, or both, a
22 registered digital commodity broker or registered digital
23 commodity dealer from the requirements of this section,
24 if the Commission determines that—

1 “(1)(A) the exemption would be consistent with
2 the public interest and the purposes of this Act; and

3 “(B) the exemption will not have a material ad-
4 verse effect on the ability of the Commission to dis-
5 charge regulatory duties under this Act; or

6 “(2) the registered digital commodity broker or
7 registered digital commodity dealer is subject to
8 comparable, comprehensive supervision and regula-
9 tion by the appropriate government authorities in
10 the home country of the registered digital commodity
11 broker or registered digital commodity dealer, re-
12 spectively.

13 “(n) TREATMENT UNDER THE BANK SECRECY
14 ACT.—A registered digital commodity broker and a reg-
15 istered digital commodity dealer shall be treated as a fi-
16 nancial institution for purposes of the Bank Secrecy Act.”.

17 **SEC. 407. REGISTRATION OF ASSOCIATED PERSONS.**

18 (a) IN GENERAL.—Section 4k of the Commodity Ex-
19 change Act (7 U.S.C. 6k) is amended—

20 (1) by redesignating subsections (4) through
21 (6) as subsections (5) through (7), respectively; and

22 (2) by inserting after subsection (3) the fol-
23 lowing:

24 “(4) It shall be unlawful for any person to act as an
25 associated person of a digital commodity broker or an as-

1 sociated person of a digital commodity dealer unless the
2 person is registered with the Commission under this Act
3 and such registration shall not have expired, been sus-
4 pended (and the period of suspension has not expired),
5 or been revoked. It shall be unlawful for a digital com-
6 modity broker or a digital commodity dealer to permit
7 such a person to become or remain associated with the
8 digital commodity broker or digital commodity dealer if
9 the digital commodity broker or digital commodity dealer
10 knew or should have known that the person was not so
11 registered or that the registration had expired, been sus-
12 pended (and the period of suspension has not expired),
13 or been revoked.”; and

14 (3) in subsection (5) (as so redesignated), by
15 striking “or of a commodity trading advisor” and in-
16 serting “of a commodity trading advisor, of a digital
17 commodity broker, or of a digital commodity deal-
18 er”.

19 (b) CONFORMING AMENDMENTS.—The Commodity
20 Exchange Act (7 U.S.C. 1a et seq.) is amended by striking
21 “section 4k(6)” each place it appears and inserting “sec-
22 tion 4k(7)”.

1 **SEC. 408. REGISTRATION OF COMMODITY POOL OPERA-**
2 **TORS AND COMMODITY TRADING ADVISORS.**

3 Section 4m(3) of the Commodity Exchange Act (7
4 U.S.C. 6m(3)) is amended—

5 (1) in subparagraph (A)—

6 (A) by striking “any commodity trading
7 advisor” and inserting “a commodity pool oper-
8 ator or commodity trading advisor”; and

9 (B) by striking “acting as a commodity
10 trading advisor” and inserting “acting as a
11 commodity pool operator or commodity trading
12 advisor”; and

13 (2) in subparagraph (C), by inserting “digital
14 commodities,” after “physical commodities,”.

15 **SEC. 409. EXCLUSION FOR ANCILLARY ACTIVITIES.**

16 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
17 as amended by the preceding provisions of this Act, is
18 amended by inserting after section 4u the following:

19 **“SEC. 4v. EXCLUSION FOR ANCILLARY ACTIVITIES.**

20 “(a) IN GENERAL.—Notwithstanding any other pro-
21 vision of this Act, a person shall not be subject to this
22 Act and the regulations promulgated under this Act solely
23 based on the person undertaking any ancillary activities.

24 “(b) EXCEPTIONS.—Subsection (a) shall not be con-
25 strued to apply to the anti-fraud, anti-manipulation, or
26 false reporting enforcement authorities of the Commission.

1 “(c) ANCILLARY ACTIVITIES DEFINED.—In this sec-
2 tion, the term ‘ancillary activities’ means any of the fol-
3 lowing activities related to the operation of a blockchain
4 system:

5 “(1) Compiling network transactions, operating
6 or participating in a pool, relaying, searching, se-
7 quencing, validating, or acting in a similar capacity
8 with respect to contract of sale of a digital asset.

9 “(2) Providing computational work, operating a
10 node, or procuring, offering, or utilizing network
11 bandwidth, or other similar incidental services with
12 respect to a contract of sale of a digital asset.

13 “(3) Providing a user-interface that enables a
14 user to read, and access data about a blockchain
15 system, send messages, or otherwise interact with a
16 blockchain system.

17 “(4) Developing, publishing, constituting, ad-
18 ministering, maintaining, or otherwise distributing a
19 blockchain system.

20 “(5) Developing, publishing, constituting, ad-
21 ministering, maintaining, or otherwise distributing
22 software or systems that create or deploy hardware
23 or software, including wallets or other systems, fa-
24 cilitating an individual user’s own personal ability to

1 keep, safeguard, or custody a user's digital commod-
2 ities or related private keys.”.

3 **SEC. 410. FUNDING FOR IMPLEMENTATION, ADMINISTRA-**
4 **TION, AND ENFORCEMENT.**

5 Out of any money in the Treasury of the United
6 States not otherwise appropriated, there are appropriated
7 \$120,000,000 to the Commodity Futures Trading Com-
8 mission for the implementation, administration, and en-
9 forcement of the provisions of this Act to be administered
10 by the Commodity Futures Trading Commission, which
11 amounts shall remain available through the 5-year period
12 that begins with the date of the enactment of this Act.

13 **SEC. 411. EFFECTIVE DATE.**

14 Unless otherwise provided in this title, this title and
15 the amendments made by this title shall take effect 360
16 days after the date of enactment of this Act, except that,
17 to the extent a provision of this title requires a rule-
18 making, the provision shall take effect on the later of—

19 (1) 360 days after the date of enactment of this
20 Act; or

21 (2) 60 days after the publication in the Federal
22 Register of the final rule implementing the provision.

1 **TITLE V—INNOVATION AND**
2 **TECHNOLOGY IMPROVEMENTS**

3 **SEC. 501. CODIFICATION OF THE SEC STRATEGIC HUB FOR**
4 **INNOVATION AND FINANCIAL TECHNOLOGY.**

5 Section 4 of the Securities Exchange Act of 1934 (15
6 U.S.C. 78d) is amended by adding at the end the fol-
7 lowing:

8 “(1) STRATEGIC HUB FOR INNOVATION AND FINAN-
9 CIAL TECHNOLOGY.—

10 “(1) OFFICE ESTABLISHED.—There is estab-
11 lished within the Commission the Strategic Hub for
12 Innovation and Financial Technology (referred to in
13 this section as the ‘FinHub’).

14 “(2) PURPOSES.—The purposes of FinHub are
15 as follows:

16 “(A) To assist in shaping the approach of
17 the Commission to technological advancements
18 in the financial industry.

19 “(B) To examine financial technology inno-
20 vations within capital markets, market partici-
21 pants, and investors.

22 “(C) To coordinate the response of the
23 Commission to emerging technologies in finan-
24 cial, regulatory, and supervisory systems.

1 “(3) DIRECTOR OF FINHUB.—FinHub shall
2 have a Director who shall be appointed by the Com-
3 mission, from among individuals having experience
4 in both emerging technologies and Federal securities
5 law and serve at the pleasure of the Commission.
6 The Director shall report directly to the Commission
7 and perform such functions and duties as the Com-
8 mission may prescribe.

9 “(4) RESPONSIBILITIES.—FinHub shall—

10 “(A) foster responsible technological inno-
11 vation and fair competition within the Commis-
12 sion, including around financial technology, reg-
13 ulatory technology, and supervisory technology;

14 “(B) provide internal education and train-
15 ing to the Commission regarding financial tech-
16 nology;

17 “(C) advise the Commission regarding fi-
18 nancial technology that would serve the Com-
19 mission’s oversight functions;

20 “(D) analyze technological advancements
21 and the impact of regulatory requirements on
22 financial technology companies;

23 “(E) advise the Commission with respect
24 to rulemakings or other agency or staff action
25 regarding financial technology;

1 “(F) provide businesses working in emerg-
2 ing financial technology fields with information
3 on the Commission, its rules and regulations;
4 and

5 “(G) encourage firms working in emerging
6 technology fields to engage with the Commis-
7 sion and obtain feedback from the Commission
8 on potential regulatory issues.

9 “(5) ACCESS TO DOCUMENTS.—The Commis-
10 sion shall ensure that FinHub has full access to the
11 documents and information of the Commission and
12 any self-regulatory organization, as necessary to
13 carry out the functions of FinHub.

14 “(6) REPORT TO CONGRESS.—

15 “(A) IN GENERAL.—Not later than Octo-
16 ber 31 of each year after 2024, FinHub shall
17 submit to the Committee on Banking, Housing,
18 and Urban Affairs of the Senate and the Com-
19 mittee on Financial Services of the House of
20 Representatives a report on the activities of
21 FinHub during the immediately preceding fiscal
22 year.

23 “(B) CONTENTS.—Each report required
24 under subparagraph (A) shall include—

1 “(i) the total number of persons that
2 met with FinHub;

3 “(ii) the total number of market par-
4 ticipants FinHub met with, including the
5 classification of those participants;

6 “(iii) a summary of general issues dis-
7 cussed during meetings with persons;

8 “(iv) information on steps FinHub
9 has taken to improve Commission services,
10 including responsiveness to the concerns of
11 persons;

12 “(v) recommendations—

13 “(I) with respect to the regula-
14 tions of the Commission and the guid-
15 ance and orders of the Commission;
16 and

17 “(II) for such legislative actions
18 as the FinHub determines appro-
19 priate; and

20 “(vi) any other information, as deter-
21 mined appropriate by the Director of
22 FinHub.

23 “(C) CONFIDENTIALITY.—A report under
24 subparagraph (A) may not contain confidential
25 information.

1 “(7) SYSTEMS OF RECORDS.—

2 “(A) IN GENERAL.—The Commission shall
3 establish a detailed system of records (as de-
4 fined under section 552a of title 5, United
5 States Code) to assist FinHub in commu-
6 nicating with interested parties.

7 “(B) ENTITIES COVERED BY THE SYS-
8 TEM.—Entities covered by the system required
9 under subparagraph (A) include entities or per-
10 sons submitting requests or inquiries and other
11 information to Commission through FinHub.

12 “(C) SECURITY AND STORAGE OF
13 RECORDS.—FinHub shall store—

14 “(i) electronic records—

15 “(I) in the system required under
16 subparagraph (A); or

17 “(II) on the secure network or
18 other electronic medium, such as
19 encrypted hard drives or back-up
20 media, of the Commission; and

21 “(ii) paper records in secure facilities.

22 “(8) EFFECTIVE DATE.—This subsection shall
23 take effect on the date that is 180 days after the
24 date of the enactment of this subsection.”.

1 **SEC. 502. CODIFICATION OF LABCFTC.**

2 (a) IN GENERAL.—Section 18 of the Commodity Ex-
3 change Act (7 U.S.C. 22) is amended by adding at the
4 end the following:

5 “(c) LABCFTC.—

6 “(1) ESTABLISHMENT.—There is established in
7 the Commission LabCFTC.

8 “(2) PURPOSE.—The purposes of LabCFTC
9 are to—

10 “(A) promote responsible financial tech-
11 nology innovation and fair competition for the
12 benefit of the American public;

13 “(B) serve as an information platform to
14 inform the Commission about new financial
15 technology innovation; and

16 “(C) provide outreach to financial tech-
17 nology innovators to discuss their innovations
18 and the regulatory framework established by
19 this Act and the regulations promulgated there-
20 under.

21 “(3) DIRECTOR.—LabCFTC shall have a Direc-
22 tor, who shall be appointed by the Commission and
23 serve at the pleasure of the Commission. Notwith-
24 standing section 2(a)(6)(A), the Director shall re-
25 port directly to the Commission and perform such

1 functions and duties as the Commission may pre-
2 scribe.

3 “(4) DUTIES.—LabCFTC shall—

4 “(A) advise the Commission with respect
5 to rulemakings or other agency or staff action
6 regarding financial technology;

7 “(B) provide internal education and train-
8 ing to the Commission regarding financial tech-
9 nology;

10 “(C) advise the Commission regarding fi-
11 nancial technology that would bolster the Com-
12 mission’s oversight functions;

13 “(D) engage with academia, students, and
14 professionals on financial technology issues,
15 ideas, and technology relevant to activities
16 under this Act;

17 “(E) provide persons working in emerging
18 technology fields with information on the Com-
19 mission, its rules and regulations, and the role
20 of a registered futures association; and

21 “(F) encourage persons working in emerg-
22 ing technology fields to engage with the Com-
23 mission and obtain feedback from the Commis-
24 sion on potential regulatory issues.

1 “(5) ACCESS TO DOCUMENTS.—The Commis-
2 sion shall ensure that LabCFTC has full access to
3 the documents and information of the Commission
4 and any self-regulatory organization or registered fu-
5 tures association, as necessary to carry out the func-
6 tions of LabCFTC.

7 “(6) REPORT TO CONGRESS.—

8 “(A) IN GENERAL.—Not later than Octo-
9 ber 31 of each year after 2024, LabCFTC shall
10 submit to the Committee on Agriculture of the
11 House of Representatives and the Committee
12 on Agriculture, Nutrition, and Forestry of the
13 Senate a report on its activities.

14 “(B) CONTENTS.—Each report required
15 under paragraph (1) shall include—

16 “(i) the total number of persons that
17 met with LabCFTC;

18 “(ii) a summary of general issues dis-
19 cussed during meetings with the person;

20 “(iii) information on steps LabCFTC
21 has taken to improve Commission services,
22 including responsiveness to the concerns of
23 persons;

24 “(iv) recommendations made to the
25 Commission with respect to the regula-

1 tions, guidance, and orders of the Commis-
2 sion and such legislative actions as may be
3 appropriate; and

4 “(v) any other information determined
5 appropriate by the Director of LabCF7TC.

6 “(C) CONFIDENTIALITY.—A report under
7 paragraph (A) shall abide by the confidentiality
8 requirements in section 8.

9 “(7) SYSTEMS OF RECORDS.—

10 “(A) IN GENERAL.—The Commission shall
11 establish a detailed system of records (as de-
12 fined in section 552a of title 5, United States
13 Code) to assist LabCF7TC in communicating
14 with interested parties.

15 “(B) PERSONS COVERED BY THE SYS-
16 TEM.—The persons covered by the system of
17 records shall include persons submitting re-
18 quests or inquiries and other information to the
19 Commission through LabCF7TC.

20 “(C) SECURITY AND STORAGE OF
21 RECORDS.—The system of records shall store
22 records electronically or on paper in secure fa-
23 cilities, and shall store electronic records on the
24 secure network of the Commission and on other

1 electronic media, such as encrypted hard drives
2 and back-up media, as needed.”.

3 (b) CONFORMING AMENDMENTS.—Section
4 2(a)(6)(A) of such Act (7 U.S.C. 2(a)(6)(A)) is amend-
5 ed—

6 (1) by striking “paragraph and in” and insert-
7 ing “paragraph,”; and

8 (2) by inserting “and section 18(c)(3),” before
9 “the executive”.

10 (c) EFFECTIVE DATE.—The Commodity Futures
11 Trading Commission shall implement the amendments
12 made by this section (including complying with section
13 18(c)(7) of the Commodity Exchange Act) within 180
14 days after the date of the enactment of this Act.

15 **SEC. 503. CFTC-SEC JOINT ADVISORY COMMITTEE ON DIG-**
16 **ITAL ASSETS.**

17 (a) ESTABLISHMENT.—The Commodity Futures
18 Trading Commission and the Securities and Exchange
19 Commission (in this section referred to as the “Commis-
20 sions”) shall jointly establish the Joint Advisory Com-
21 mittee on Digital Assets (in this section referred to as the
22 “Committee”).

23 (b) PURPOSE.—

24 (1) IN GENERAL.—The Committee shall—

1 (A) provide the Commissions with advice
2 on the rules, regulations, and policies of the
3 Commissions related to digital assets;

4 (B) further the regulatory harmonization
5 of digital asset policy between the Commissions;

6 (C) examine and disseminate methods for
7 describing, measuring, and quantifying digital
8 asset—

9 (i) decentralization;

10 (ii) functionality;

11 (iii) information asymmetries; and

12 (iv) transaction and network security;

13 (D) examine the potential for digital as-
14 sets, blockchain systems, and distributed ledger
15 technology to improve efficiency in the oper-
16 ation of financial market infrastructure and
17 better protect financial market participants, in-
18 cluding services and systems which provide—

19 (i) improved customer protections;

20 (ii) public availability of information;

21 (iii) greater transparency regarding
22 customer funds;

23 (iv) reduced transaction cost; and

24 (v) increased access to financial mar-
25 ket services; and

1 (E) discuss the implementation by the
2 Commissions of this Act and the amendments
3 made by this Act.

4 (2) REVIEW BY AGENCIES.—Each Commission
5 shall—

6 (A) review the findings and recommenda-
7 tions of the Committee;

8 (B) each time the Committee submits a
9 finding or recommendation to a Commission,
10 promptly issue a public statement—

11 (i) assessing the finding or rec-
12 ommendation of the Committee;

13 (ii) disclosing the action or decision
14 not to take action made by the Commis-
15 sion in response to a finding or rec-
16 ommendation; and

17 (iii) the reasons for the action or deci-
18 sion not to take action; and

19 (C) each time the Committee submits a
20 finding or recommendation to a Commission,
21 provide the Committee with a formal response
22 to the finding or recommendation not later than
23 3 months after the date of the submission of
24 the finding or recommendation.

25 (c) MEMBERSHIP AND LEADERSHIP.—

1 (1) NON-FEDERAL MEMBERS.—

2 (A) IN GENERAL.—The Commissions shall
3 appoint at least 20 nongovernmental stake-
4 holders with a wide diversity of opinion and
5 who represent a broad spectrum of interests
6 representing the digital asset ecosystem, equally
7 divided between the Commissions, to serve as
8 members of the Committee. The appointees
9 shall include—

10 (i) digital asset issuers;

11 (ii) persons registered with the Com-
12 missions and engaged in digital asset re-
13 lated activities;

14 (iii) individuals engaged in academic
15 research relating to digital assets; and

16 (iv) digital asset users.

17 (B) MEMBERS NOT COMMISSION EMPLOY-
18 EES.—Members appointed under subparagraph
19 (A) shall not be deemed to be employees or
20 agents of a Commission solely by reason of
21 membership on the Committee.

22 (2) CO-DESIGNATED FEDERAL OFFICERS.—

23 (A) NUMBER; APPOINTMENT.—There shall
24 be 2 co-designated Federal officers of the Com-
25 mittee, as follows:

1 (i) The Director of LabCFTC of the
2 Commodity Futures Trading Commission.

3 (ii) The Director of the Strategic Hub
4 for Innovation and Financial Technology
5 of the Securities and Exchange Commis-
6 sion.

7 (B) DUTIES.—The duties required by
8 chapter 10 of title 5, United States Code, to be
9 carried out by a designated Federal officer with
10 respect to the Committee shall be shared by the
11 co-designated Federal officers of the Com-
12 mittee.

13 (3) COMMITTEE LEADERSHIP.—

14 (A) COMPOSITION; ELECTION.—The Com-
15 mittee members shall elect, from among the
16 Committee members—

17 (i) a chair;

18 (ii) a vice chair;

19 (iii) a secretary; and

20 (iv) an assistant secretary.

21 (B) TERM OF OFFICE.—Each member
22 elected under subparagraph (A) in a 2-year pe-
23 riod referred to in section 1013(b)(2) of title 5,
24 United States Code, shall serve in the capacity

1 for which the member was so elected, until the
2 end of the 2-year period.

3 (d) NO COMPENSATION FOR COMMITTEE MEM-
4 BERS.—

5 (1) NON-FEDERAL MEMBERS.—All Committee
6 members appointed under subsection (d)(1) shall—

7 (A) serve without compensation; and

8 (B) while away from the home or regular
9 place of business of the member in the perform-
10 ance of services for the Committee, be allowed
11 travel expenses, including per diem in lieu of
12 subsistence, in the same manner as persons em-
13 ployed intermittently in the Government service
14 are allowed expenses under section 5703(b) of
15 title 5, United States Code.

16 (2) NO COMPENSATION FOR CO-DESIGNATED
17 FEDERAL OFFICERS.—The co-designated Federal of-
18 ficers shall serve without compensation in addition
19 to that received for their services as officers or em-
20 ployees of the United States.

21 (e) FREQUENCY OF MEETINGS.—The Committee
22 shall meet—

23 (1) not less frequently than twice annually; and

24 (2) at such other times as either Commission
25 may request.

1 (f) DURATION.—Section 1013(a)(2) of title 5, United
2 States Code, shall not apply to the Committee.

3 (g) TIME LIMITS.—The Commissions shall—

4 (1) adopt a joint charter for the Committee
5 within 90 days after the date of the enactment of
6 this section;

7 (2) appoint members to the Committee within
8 120 days after such date of enactment; and

9 (3) hold the initial meeting of the Committee
10 within 180 days after such date of enactment.

11 (h) FUNDING.—The Commissions shall jointly fund
12 the Committee.

13 **SEC. 504. MODERNIZATION OF THE SECURITIES AND EX-**
14 **CHANGE COMMISSION MISSION.**

15 (a) SECURITIES ACT OF 1933.—Section 2(b) of the
16 Securities Act of 1933 (15 U.S.C. 77(b)) is amended—

17 (1) in the heading, by inserting “INNOVATION,”
18 after “EFFICIENCY,”; and

19 (2) by inserting “innovation,” after “effi-
20 ciency,”.

21 (b) SECURITIES EXCHANGE ACT OF 1934.—Section
22 3(f) of the Securities Exchange Act of 1934 (15 U.S.C.
23 78(c)) is amended—

24 (1) in the heading, by inserting “INNOVATION,”
25 after “EFFICIENCY,”; and

1 (2) by inserting “innovation,” after “effi-
2 ciency,”.

3 (c) INVESTMENT ADVISERS ACT OF 1940.—Section
4 202(c) of the Investment Advisers Act of 1940 (15 U.S.C.
5 80b–2) is amended—

6 (1) in the heading, by inserting “INNOVATION,”
7 after “EFFICIENCY,”; and

8 (2) by inserting “innovation,” after “effi-
9 ciency,”.

10 (d) INVESTMENT COMPANY ACT OF 1940.—Section
11 2(c) of the Investment Company Act of 1940 (15 U.S.C.
12 80a–2) is amended—

13 (1) in the heading, by inserting “INNOVATION,”
14 after “EFFICIENCY,”; and

15 (2) by inserting “innovation,” after “effi-
16 ciency,”.

17 **SEC. 505. STUDY ON DECENTRALIZED FINANCE.**

18 (a) IN GENERAL.—The Commodity Futures Trading
19 Commission and the Securities and Exchange Commission
20 shall jointly carry out a study on decentralized finance
21 that analyzes—

22 (1) the nature, size, role, and use of decentral-
23 ized finance blockchain protocols;

24 (2) the operation of blockchain protocols that
25 comprise decentralized finance;

1 (3) the interoperability of blockchain protocols
2 and blockchain systems;

3 (4) the interoperability of blockchain protocols
4 and software-based systems, including websites and
5 wallets;

6 (5) the decentralized governance systems
7 through which blockchain protocols may be devel-
8 oped, published, constituted, administered, main-
9 tained, or otherwise distributed, including—

10 (A) whether the systems enhance or de-
11 tract from—

12 (i) the decentralization of the decen-
13 tralized finance; and

14 (ii) the inherent risks of the decentral-
15 ized governance system; and

16 (B) any procedures or requirements that
17 would mitigate the risks identified in subpara-
18 graph (A)(ii);

19 (6) the benefits of decentralized finance, includ-
20 ing—

21 (A) operational resilience and interoper-
22 ability of blockchain-based systems;

23 (B) market competition and innovation;

24 (C) transaction efficiency;

1 (D) transparency and traceability of trans-
2 actions; and

3 (E) disintermediation; and

4 (7) the risks of decentralized finance, includ-
5 ing—

6 (A) pseudonymity of users and trans-
7 actions;

8 (B) disintermediation; and

9 (C) cybersecurity vulnerabilities;

10 (8) the extent to which decentralized finance
11 has integrated with the traditional financial markets
12 and any potential risks to stability of the markets;

13 (9) how the levels of illicit activity in decentral-
14 ized finance compare with the levels of illicit activity
15 in traditional financial markets;

16 (10) how decentralized finance may increase the
17 accessibility of cross-border transactions; and

18 (11) the feasibility of embedding self-executing
19 compliance and risk controls into decentralized fi-
20 nance.

21 (b) REPORT.—Not later than 1 year after the date
22 of enactment of this Act, the Commodity Futures Trading
23 Commission and the Securities and Exchange Commission
24 shall jointly submit to the relevant congressional commit-

1 tees a report that includes the results of the study re-
2 quired by subsection (a).

3 (c) GAO STUDY.—The Comptroller General of the
4 United States shall—

5 (1) carry out a study on decentralized finance
6 that analyzes the information described under para-
7 graphs (1) through (11) of subsection (a); and

8 (2) not later than 1 year after the date of en-
9 actment of this Act, submit to the relevant congress-
10 sional committees a report that includes the results
11 of the study required by paragraph (1).

12 (d) DEFINITIONS.—In this section:

13 (1) DECENTRALIZED FINANCE.—

14 (A) IN GENERAL.—The term “decentral-
15 ized finance” means blockchain protocols that
16 allow users to engage in financial transactions
17 in a self-directed manner so that a third-party
18 intermediary does not effectuate the trans-
19 actions or take custody of digital assets of a
20 user during any part of the transactions.

21 (B) RELATIONSHIP TO ANCILLARY ACTIVI-
22 TIES.—The term “decentralized finance” shall
23 not be interpreted to limit or exclude any activ-
24 ity from the meaning of “ancillary activities”,
25 as defined in section 15H(c) of the Securities

1 Exchange Act of 1934 or section 4v(c) of the
2 Commodity Exchange Act.

3 (2) RELEVANT CONGRESSIONAL COMMIT-
4 TEES.—The term “relevant congressional commit-
5 tees” means—

6 (A) the Committees on Financial Services
7 and Agriculture of the House of Representa-
8 tives; and

9 (B) the Committees on Banking, Housing,
10 and Urban Affairs and Agriculture, Nutrition,
11 and Forestry of the Senate.

12 **SEC. 506. STUDY ON NON-FUNGIBLE DIGITAL ASSETS.**

13 (a) The Comptroller General of the United States
14 shall carry out a study of non-fungible digital assets that
15 analyzes—

16 (1) the nature, size, role, purpose, and use of
17 non-fungible digital assets;

18 (2) the similarities and differences between non-
19 fungible digital assets and other digital assets, in-
20 cluding digital commodities and payments
21 stablecoins, and how the markets for those digital
22 assets intersect with each other;

23 (3) how non-fungible digital assets are minted
24 by issuers and subsequently administered to pur-
25 chasers;

1 (4) how non-fungible digital assets are stored
2 after being purchased by a consumer;

3 (5) the interoperability of non-fungible digital
4 assets between different blockchain systems;

5 (6) the scalability of different non-fungible dig-
6 ital asset marketplaces;

7 (7) the benefits of non-fungible digital assets,
8 including verifiable digital ownership;

9 (8) the risks of non-fungible tokens, including—

10 (A) intellectual property rights;

11 (B) cybersecurity risks; and

12 (C) market risks;

13 (9) whether and how non-fungible digital assets
14 have integrated with traditional marketplaces, in-
15 cluding those for music, real estate, gaming, events,
16 and travel;

17 (10) whether non-fungible tokens can be used
18 to facilitate commerce or other activities through the
19 representation of documents, identification, con-
20 tracts, licenses, and other commercial, government,
21 or personal records;

22 (11) any potential risks to traditional markets
23 from such integration; and

24 (12) the levels and types of illicit activity in
25 non-fungible digital asset markets.

1 (b) REPORT.—Not later than 1 year after the date
2 of the enactment of this Act, the Secretary of Commerce,
3 shall make publicly available a report that includes the re-
4 sults of the study required by subsection (a).

5 **SEC. 507. STUDY ON FINANCIAL MARKET INFRASTRUCTURE**
6 **IMPROVEMENTS.**

7 (a) IN GENERAL.—The Commodity Futures Trading
8 Commission and the Securities and Exchange Commission
9 shall jointly conduct a study to assess whether additional
10 guidance or rules are necessary to facilitate the develop-
11 ment of tokenized securities and derivatives products, and
12 to the extent such guidance or rules would foster the devel-
13 opment of fair and orderly financial markets, be necessary
14 or appropriate in the public interest, and be consistent
15 with the protection of investors and customers.

16 (b) REPORT.—

17 (1) TIME LIMIT.—Not later than 1 year after
18 the date of enactment of this Act, the Commodity
19 Futures Trading Commission and the Securities and
20 Exchange Commission shall jointly submit to the rel-
21 evant congressional committees a report that in-
22 cludes the results of the study required by sub-
23 section (a).

1 (2) RELEVANT CONGRESSIONAL COMMITTEES

2 DEFINED.—In this section, the term “relevant con-
3 gressional committees” means—

4 (A) the Committees on Financial Services
5 and on Agriculture of the House of Representa-
6 tives; and

7 (B) the Committees on Banking, Housing,
8 and Urban Affairs and on Agriculture, Nutri-
9 tion, and Forestry of the Senate.

